



A COMPARATIVE ANALYSIS OF REGIONAL ORGANISATIONS OF COUNCILS IN NSW AND WESTERN AUSTRALIA

January 2012





A COMPARATIVE ANALYSIS OF REGIONAL ORGANISATIONS OF COUNCILS IN NSW AND WESTERN AUSTRALIA

January 2012

Acknowledgements

This report was prepared by Alex Gooding from Gooding Davies Consultancy Pty Ltd (Alex Gooding is also a UTS Centre for Local Government Associate). Carolynne James (NSROC) and Stefanie Pillora (ACELG) provided research oversight, and Nancy Ly and Chris Watterson (ACELG) assisted with the design and preparation of this report.

NSROC and ACELG would like to acknowledge the contribution to this research by representatives of the NSW Regional Organisations of Councils (ROCs) and WA Voluntary Regional Organisations Of Councils (VROCs) and Regional Local Governments (RLGs), as well representatives of the NSW Division of Local Government and the WA Department of Local Government.

Citing this report

Please cite this document as: Gooding, A. (2012) *A Comparative Analysis of Regional Organisations of Councils in NSW and Western Australia*, Australian Centre of Excellence for Local Government, University of Technology Sydney.

ISSN 1838-2525

Contents

Executive Summary	1
1 Introduction	3
1.1 Background to the project.....	3
1.2 Why study Regional Organisations of Councils?	3
1.3 Why New South Wales and Western Australia?	4
1.4 Summary of the research process	5
2 Regional cooperation - the current situation	7
2.1 What is a ROC?	7
2.2 Key themes relating to ROCs in research literature	8
2.3 The impetus for reform	12
2.3.1 <i>Federal Government</i>	12
2.3.2 <i>NSW</i>	13
2.3.3 <i>Western Australia</i>	18
2.4 Conclusion	21
3 Audit of NSW Regional Organisations	22
3.1 Overview.....	22
3.2 Comparison of ROCs and ROC membership.....	23
3.2.1 <i>Structure</i>	25
3.2.2 <i>Business models</i>	32
3.2.3 <i>Activities</i>	36
3.2.4 <i>Organisation planning and review</i>	44
3.3 Conclusion	45
3.3.1 <i>Implications of the proposals to increase regional cooperation</i>	45
3.3.2 <i>Proposed typology of ROCs and activities</i>	46
4 Audit of Western Australian Regional Organisations	47
4.1 Overview.....	47
4.2 Comparison of VROCs.....	48
4.2.1 <i>Structure</i>	49
4.2.2 <i>Business models</i>	50
4.2.3 <i>Activities</i>	50
4.3 Other regional structures	52
4.3.1 <i>Regional Local Governments</i>	52
4.3.2 <i>Regional Transition Groups and Regional Collaborative Groups</i>	53
4.4 Conclusion	53
4.4.1 <i>Proposed typology of ROCs and activities</i>	53
5 Conclusions	54
5.1 Comparison of audit outcomes	54
5.2 What do ROCs want to do?	55
5.3 What do ROCs need?.....	55
5.3.1 <i>Structure</i>	55
5.3.2 <i>Business models</i>	56
5.4 Redefining the future of ROCs.....	57
6 Bibliography	58

Executive Summary

Regional organisations of councils (ROCs) have been a part of the Australian local government landscape for over seventy years and were once a prominent feature in all states. They have evolved into a wide range of forms, but their structure generally involves several common characteristics such as a contiguous geographic base and some degree of councillor engagement in their management. Unlike many other shared services arrangements, ROCs also tend to have a multi-purpose agenda, often taking a more strategic approach to broad regional issues.

Another part of the role of ROCs has been to overcome local government fragmentation in service delivery and regional management, especially in jurisdictions with large numbers of relatively small councils. However, in the past two decades, as many state governments around Australia have embarked on local government reform processes chiefly aimed at reducing the number of councils through amalgamation, ROCs themselves have been substantially restructured or have disappeared entirely.

Until recently, two jurisdictions on either side of the continent remained relatively untouched by these reform processes. NSW has seen a modest reduction in the number of councils to 152, still the largest number in Australia. Western Australia remains largely unchanged, with 139 councils – a very high degree of local governance fragmentation which is only partly explained by the state's size and geography. Both states have also retained a large number of ROCs and other regional structures, though these have developed quite differently. Now both NSW and Western Australia are undertaking local government reform processes, though these are also taking different directions with contrasting implications for ROCs.

An examination of the current situation of ROCs in both states and the implications of the different reform paths forms the basis for this partnership project, jointly funded by the Northern Sydney Regional Organisation of Councils (NSROC) and the Australian Centre of Excellence for Local Government (ACELG), with the participation of the Department of Local Government in Western Australia. The project has involved a brief review of recent relevant research, a desktop audit of NSW and Western Australian ROCs and interviews with a small group of ROC CEOs and other stakeholders in both states, examining their governance structures, financial models and range of functions, as well as the relationship between these.

The project has developed initial conclusions about broad typologies of ROCs and a more consistent framework for describing ROC activities. However the research indicates that in the case of NSW ROCs, while there is some consistency in specific aspects of their organisation structure, there is relatively little correlation between these characteristics and the size of the organisation or the range of activities undertaken by each ROC. The most important variables for regional organisations remain their own priority setting processes, the level of resources provided by their member councils and the amount of funding they can attract from other sources.

All NSW ROCs are involved in some form of shared service provision and regional capacity activities but only a relatively small number are involved in commercial operations. While there is some desire by the ROCs to expand their involvement in shared services, this is generally not at the expense of their continued engagement in regional capacity processes such as regional advocacy and regional planning and management.

In NSW the outcomes of the *Destination 2036* process, a government-convened workshop which involved all councils and ROCs in the state, combined with the state government's interest in the potential role of ROCs as an alternative form of consolidation for local government, would seem to

indicate that regional organisations have a positive future in that state. However these developments are not without their challenges.

In Western Australia, the small size of voluntary regional organisations of councils (VROCs) in terms of membership and average populations reflects the dispersed population of the state's rural areas and the very fragmented nature of the state's local government sector. The structure of Western Australian ROCs is more uniform than in NSW, but again there is little correlation between this and the size of the organisation or the range of activities undertaken. As in NSW the level of commitment by member councils appears to be the most significant factor, but it is difficult for many VROCs to establish economies of scale or make major improvements to strategic capacity, especially when many have total populations of less than 10,000 people.

The lack of any formal recognition or legal structure also hampers the operations of VROCs. In addition the Western Australian government has an obvious desire to pursue alternative options for consolidation by encouraging councils to participate in new transitional and collaborative structures, bypassing the VROCs. This has obvious implications for their future.

The need for a wider range of incorporation options and increased, more secure funding for ROCs are common issues in NSW and Western Australia. However it is the widely diverging approaches to local government reform that is far more likely to redefine the future of ROCs and how they will continue to operate in both states.

1. Introduction

1.1 Background to the Project

This research project was initiated by the Northern Sydney Regional Organisation of Councils (NSROC) as part of a review of its priorities and operations given recent discussions about the modernisation of local government in NSW. It is a partnership project, jointly funded by NSROC and the Australian Centre of Excellence for Local Government (ACELG) through ACELG's Research Partnerships Scheme which funds original research that will benefit local government and build research capacity in the sector. The project has also involved input from the Department of Local Government in Western Australia and a range of other stakeholders including the Western Australian Local Government Association and the NSW Division of Local Government.

The project involved development of a research brief to examine the comparative structures, operations and activities of various regional organisations of councils (ROCs) in NSW and similar groups in Western Australia. After a call for expressions of interest, Gooding Davies Consultancy was engaged to undertake the project.

This research is very timely, given the various local government modernisation and reform processes currently underway in both NSW and Western Australia. As the 2011 ACELG report *Consolidation in Local Government: a Fresh Look* demonstrates, previous discussions on local government modernisation have tended to have a very narrow focus on amalgamations as the main type of 'reform', and cost saving as the primary goal. Alternative forms of consolidation and other policy objectives have often been treated superficially.

The dynamics of this debate are changing. While efficiency is obviously still an important outcome, there is an increasing realisation that the financial benefits of amalgamation often do not live up to expectations. There is also increasing recognition that there are other equally important objectives for local government reform such as increasing the strategic capacity of councils and achieving more effective regional and urban management outcomes.

1.2 Why Study Regional Organisations of Councils?

The *Consolidation in Local Government* research (in which the author was also involved) described a variety of alternative approaches to consolidation and the range of objectives and outcomes for the councils involved.

One of these forms of consolidation is the voluntary formation by councils of regional organisations. The Australian Local Government Association defines ROCs as 'partnerships' between groups of local government entities that agree to collaborate on matters of common interest' (ALGA nd). All ROCs share a common basis; they are geographically-based groupings of councils which are formed and managed by the councils themselves.

There are approximately 60 ROCs across Australia that vary greatly in size, structure and operation. For example, some ROCs are small unstaffed groupings of councils which concentrate on a handful of issues and projects while others are large organisations that play substantial roles in council shared service delivery and procurement, regional advocacy and even aspects of regional governance.

ROCs have not had extensive theoretical analysis either from the research community or from government policy makers. However in recent years there has been interest in ROCs as a potential form of consolidation. This is due in part to the state government reform agendas referred to earlier and the federal government's re-engagement in regional development. Other factors relate to

broader community debates around such issues as the role of councils in the planning, governance and development of major cities and rural regions, the management of growth in outer urban and 'sea-change' regions, the pressures of servicing an ageing population and the impact of new technologies on the delivery of services.

These changes provide new opportunities for councils to work together in developing policy responses and innovative forms of service delivery. They also provide challenges for ROCs which have to 'compete' with a range of other service delivery models and organisations in providing these outcomes.

Part of the difficulty that ROCs have faced in 'selling' themselves is, ironically, their variability both in terms of their agendas and the scope and scale of their operations (Aulich 2011, p. 20). As a result researchers and policy-makers alike have found it difficult to come to grips with the range of their activities and a perception has developed that they are not consistent or reliable enough to provide a realistic policy option (Dollery and Marshall 2003, p. 244).

Few, however, have undertaken a detailed analysis of ROC activities or looked closely at the relationships between these activities and the organisation structure or financial models that underpin them.

1.3 Why New South Wales and Western Australia?

This paper attempts to undertake such an analysis through a detailed audit of ROCs in NSW and Western Australia. While all jurisdictions in Australia and New Zealand have some examples of regional cooperation between councils, NSW and Western Australia provide an interesting basis for comparison. Neither has undergone a major local government reform process in recent years and so both states have a relatively large number of councils compared with other jurisdictions (see Table 1).

Table 1: Summary Local Government Statistics, Australia

State	No. Councils (2010)	Average Council Population (2010 est.)	No. Councils under 2,000 Population	% under 2,000 Population	Reduction in councils 1990-2010 (%)
New South Wales	152	47,575	4	3%	14%
Victoria	79	70,192	0	-	62%
Queensland	74	60,998	25	34%	45%
South Australia	70	23,438	12	17%	45%
Western Australia	139	16,500	66	47%	-1%
Tasmania	29	17,505	2	7%	37%
Northern Territory	16	13,787	3	19%	27%
Australia	559	39,272	112	20%	34%

Source: ABS data

Both states also have a comparatively large number of ROCs, 17 in NSW and 16 in Western Australia, between them over half Australia's total number. To some extent these have evolved to provide economies of scale and scope for smaller councils, especially in Western Australia where, as indicated in Table 1, nearly half the councils have populations under 2,000. The ROCs have also assisted in overcoming fragmentation in regional and urban management resulting from the comparatively large number of councils in urban and some rural areas in both states.

By contrast, in Queensland, South Australia and Victoria, local government reforms and associated amalgamations in the last two decades have resulted in major reductions in the number of councils. A number of ROCs also disappeared directly or indirectly as a result of these processes, particularly in Victoria, while a number of 'surviving' ROCs in other states were changed or restructured.

Now governments in NSW and Western Australia are considering various options for local government reform. This process has obvious implications both for councils and ROCs and in both states there are debates about the extent to which regional collaboration can provide an alternative to amalgamation. Related to this are discussions about whether and how ROCs should be given a formal legislative basis for their operations and how ROCs compare to other options and structures for inter-council cooperation.

1.4 Summary of the Research Process

The research aims for the project were to gain a better understanding of the roles and operations of ROCs in the development of regionalism, reform and modernisation of local government activities, and to assist in informing the local government sector about the distinctive contribution of this form of collaboration.

The project was based on a brief review of recent relevant research and a desktop audit of NSW ROCs and Western Australian VROCs examining:

- *Governance* - representative and legal structures;
- *Function* - for example, engagement in advocacy, research, joint projects and procurement;
- *Finances* - the 'business model' structure of each organisation, and primary funding sources.

This was complemented by interviews with a small group of ROC CEOs and other stakeholders in both states. It also involved a brief analysis of the state of play in other jurisdictions and the role of other regional local government bodies that undertake activities similar to ROCs.

The research process has been used to develop initial conclusions about broad typologies of ROCs. In addition the project has identified some of the issues and challenges faced by ROCs and other regional structures, particularly in NSW and Western Australia, as well as areas of potential research. While there are overall similarities, there are also a number of significant differences between ROCs in NSW and Western Australia and the environment in which they operate. These are explored in more detail in this report.

Literature Review

As part of the project a review of selected research articles and reports, discussion papers, submissions and other documentation has been undertaken and cited in the bibliography. Key material that was analysed included:

- Academic research specifically about regional organisations of councils and similar organisations in recent years, as well as relevant studies in the related areas of local

government reform and consolidation, regional management and development and urban planning and governance;

- Discussion papers, submissions, government reports and workshop proceedings relating to regional organisations and local government. In the main these have been prepared either by the relevant government departments and agencies or by the various Local Government Associations. In particular these documents have included:
 - NSW Division of Local Government (2011), *Collaborative Arrangements between Councils - Survey report*. This document outlines the findings of a survey of collaborative arrangements among NSW councils that was conducted in 2010 and included a section specifically on ROCs. This material has helped to inform the development of this project and the survey results have provided a basis for comparison with the current audit. In some cases material has been used directly from the survey if insufficient information was provided by the ROC;
 - Elton Consulting (2011), *Destination 2036: a path together - Outcomes Report* (prepared for the NSW Division of Local Government). The report summarises the outcomes of a two-day workshop for local government leaders that was held in Dubbo NSW in August 2011. Of the nearly eighty suggested actions proposed by the workshop, about a third relate directly or indirectly to regional cooperation, which has obvious significance for ROCs;
 - Western Australian Local Government Association (2011), *Submission to the Legislation Committee, Legislative Council, Parliament of Western Australia on the Local Government Amendment (Regional Subsidiaries) Bill 2010*. This submission outlines the case for regional subsidiaries, a legal model for regional cooperation already used in South Australia which has implications for ROCs.

Scan of the Legislative and Policy Framework

A scan of current legislation and policies, particularly in NSW and Western Australia was undertaken. The scan informs the legal and policy environment for ROCs and regional cooperation generally. A more detailed scan prepared for a parallel research study into shared services models is currently being conducted for ACELG. The report, entitled *Legal and Governance Models for Shared Services in Local Government*, is due to be released in February 2012.

ROC Publications

Apart from the research literature, the most significant data source for this project has been, in the case of the NSW ROCs at least, the publications of the organisations themselves. This material included annual reports, strategic and management plans, organisational structures and other background information. Unfortunately not all these publications were available or up to date and in these cases supplementary information was obtained from other sources.

Similar material was sought from Western Australian VROCs. However, given the fact that most VROCs have limited or no executive support and operate much more informally than their NSW counterparts, relatively few such publications are available.

Follow-up Interviews and Consultations

A selected number of interviews were conducted to supplement the published sources. Interviewees included representatives of the Division of Local Government (DLG) and the Local Government and Shires Associations (LG&SA) in NSW and in Western Australia the Department of Local Government

and the Western Australian Local Government Association (WALGA). In addition interviews were held with selected executive officers of ROCs in NSW and VROCs and regional local governments in Western Australia. The author also made a presentation in October 2011 to a meeting of the NSW ROCs Network, which comprises the CEOs of NSW ROCs.

Based on the published information provided and these interviews, a two-page summary was prepared for each NSW ROC, outlining the ROC's organisation structure, financial model and range of activities. These were forwarded to each CEO with a request for comment. In the case of the Western Australian ROCs a simplified set of questions was circulated because of the smaller size of Western Australian ROCs and the consequent limited levels of executive support. However, as the response to this survey was relatively poor, it has been supplemented with material from WALGA and other sources.

2. Regional Cooperation - The Current Situation

2.1 What is a ROC?

As the Australian Local Government Association notes, while ROCs vary in many respects they share a set of common characteristics (ALGA nd). Expanding on ALGA's list, virtually all ROCs have the following features:

- Voluntary membership comprising local councils in a geographically contiguous area. A small number have additional non-council members such as catchment authorities or county councils, but these ROCs are still dominated by their council membership. Similarly some ROCs have a category of associate membership for councils that participate in some activities but which are not full members and therefore do not participate in the ROC's management.
- A constitution, memorandum of understanding or some other agreement between member councils which provide a framework for the ROC's management and operations. This will usually incorporate a broad statement of the organisation's aims and objectives.
- Management by a board or similar governing body comprising representatives nominated by the ROC's member councils. In almost all ROCs at least one of these representatives is a councillor, most commonly the Mayor.
- A set of agreed objectives, strategies and/or priorities to guide the activities of the ROC. In smaller ROCs this may simply be the aims and objectives incorporated in the organisation's constitution, but larger ROCs are likely to have a separate strategic or management plan and a process for setting and reviewing priorities.
- Contributions, either in-kind, financial or both by member councils to resource the ROC's activities. The most common form is an in-kind contribution of the time provided by councillors involved in ROC boards or other aspects of the organisation's management and similar inputs by council staff involved in professional groups or specific projects.

Beyond these characteristics there is considerable variation. Some differences relate to the arrangements in specific states - for example, all South Australian ROCs operate as regional subsidiaries. Even within jurisdictions, however, there can be a range of models; for example in NSW ROCs may or may not be incorporated, they may or may not have staff and General Managers may or may not be involved in representing member councils on their boards. As shall be seen later,

ROCs also vary greatly in the size of their budgets, number of member councils, population totals and physical area.

It is perhaps more important to identify what distinguishes ROCs from other local government bodies. Some of the differences are more clear-cut; for example, ROCs differ from county councils in NSW, Regional Local Governments in Western Australia and similar bodies in other states in not being statutory local government authorities.

The differences between ROCs and other arrangements such as council shared services agreements are more subtle. As the NSW Division of Local Government points out, a range of formal and informal shared services agreements have operated since the 1950s though they have become more common in recent years (NSW DLG 2011, p. 15). These arrangements range from simple agreements between neighbouring councils to share plant and equipment through to more sophisticated alliances.

The main distinction appears to be around purpose; by their nature, shared services agreements aim to improve the effectiveness and efficiency of council services, while most ROCs have broader objectives. In addition the DLG survey indicated that the majority of such agreements in NSW were focussed on very specific activity areas, with only six multi-purpose strategic alliances being identified in the Division's 2010 survey of which only three had a 'strong strategic base' (NSW DLG 2011, p. 16). It is these strategic, multi-purpose arrangements which come closest to resembling ROCs.

While ROCs have been described as a form of regional collaboration (Marshall *et al.* 2006, p. 22), they differ from other regional collaborative arrangements in limiting their membership wholly or predominantly to councils. This does not preclude their ability to support or engage in such arrangements, particularly intergovernmental agreements, on behalf of their members.

Finally ROCs are also distinguishable from other council groupings such as the National Growth Areas Alliance (NGAA) which draw their membership from all over the country and which therefore do not have a contiguous regional base. In addition, most of these organisations are advocacy bodies which focus on specific issues (in the case of the NGAA, the concerns of councils in major growth areas) and which have little involvement in service delivery (NGAA nd).

2.2 Key Themes Relating to ROCs in Research Literature

This section provides a brief review of the academic literature relating to ROCs. While a small number of authors have discussed in detail the structure and operation of ROCs in their own right (for example, Dollery *et al.* 2005, Gibbs *et al.* 2002, Marshall *et al.* 2003, Marshall *et al.* 2006) most research has considered their role as part of broader discussions about local government service provision, council consolidation and urban and regional management. Although these discussions intersect and overlap, there are two key themes which are particularly relevant to ROCs.

Service Provision and Scale Economies

The first theme is primarily concerned with options for the efficient provision of local government services, usually within debates about the effectiveness of local government amalgamation in achieving economies of scale compared to 'competing' forms of consolidation such as ROCs. Examples of research in this area include Dollery and Johnson (2005), Dollery *et al.* (2007) and Aulich *et al.* (2011).

Dollery's work in particular has questioned the traditional assumptions that council amalgamations will result in significant cost savings through scale economies. It has also established key criteria in

assessing other consolidation options. Dollery and Johnson (2005) summarise the case against amalgamation thus:

In the first place, opponents of municipal amalgamation dispute the existence of significant economies of scale, on both theoretical and empirical grounds... Secondly it is argued that while economies of scope may be realised, there are cheaper alternative methods of capturing scope economies, like ROCs. Thirdly, although amalgamation may well boost administrative capacity, it can be acquired by other means at a lower cost (p. 20).

In this context ROCs are seen as one alternative model on a continuum of service delivery options. This extends from existing non-amalgamated small councils, through *ad hoc* resource sharing models, ROCs, area integration or joint board models, virtual local governments and agency models to amalgamated large councils.

Dollery and Johnson conclude that there is no systematic relationship between council size and council efficiency (Dollery and Johnson 2005, p. 21) citing the practical benefits provided by the alternatives, including ROCs. However, Dollery *et al.* (2007) note the lack of empirical analysis of most of these alternatives and attempt to provide some evidence on this point. Their conclusion is that while some savings can be achieved through all forms of consolidation, these are relatively modest (Dollery *et al.* 2007, p. 20).

These findings were broadly supported by Aulich *et al.* who conclude in *Consolidation in Local Government: A Fresh Look* (2011) that amalgamation does not yield economies of scale greater than those achieved through other forms of consolidation. This report – one of the most comprehensive reviews of consolidation models in local government – also raised questions about the effectiveness and consistency of regional cooperation models such as ROCs and strategic alliances, noting that ‘... the evidence suggest that relatively few voluntary regional organisations are really active across a substantial and lasting agenda’ (Aulich *et al.* 2011, p. 20).

This appraisal echoes another criticism of ROCs – the lack of consistency in their performance and the inability to determine empirically the combination of variables that lead to successful ROCs (Dollery and Marshall 2003, p. 244). Dollery and Marshall conclude that the critical success factors were intangibles such as ‘commitment, teamwork, regional vision, trust, openness, communication, leadership and a willingness to cooperate’. Marshall *et al.* added more tangible factors such as the specialised committee structures and linkages to external bodies that have been developed by most of the ‘successful’ ROCs. (Marshall *et al.* 2003, p. 176). It has to be noted, however, that this was one of the few discussions that considered the form of ROCs as well as their function.

Economies of scale are not the only measures of success in the delivery of council services. Recent discussions have centred on the importance of achieving economies of scope through consolidation and more specifically the development of council strategic capacity. As Aulich *et al.* note, these approaches emphasise development of the ability of local government to engage in strategic and policy planning, respond to regional issues more effectively and engage with other levels of government to achieve better outcomes (Aulich *et al.* 2011, pp. 21-22). However, while some aspects of strategic capacity outcomes relating to ROCs are discussed in the Aulich consolidation report, the effectiveness of regional organisations relative to other consolidation models is yet to be fully explored.

Regional and Metropolitan Governance

Discussions regarding strategic capacity link to the second key theme relevant to ROCs – the role of local government in regional and metropolitan management. The literature around this issue comes

more from considerations of broader governance theories and issues rather than any specific assessment of local government service provision.

These discussions highlight several factors that are relevant to ROCs. The first is an account of the development of ROCs within the context of an assessment of federal government engagement in local government and regional development (for example, Collits 2008, Kelly *et al.* 2009, Marshall *et al.* 2003).

These commentators highlight the federal government's pivotal role in ROC creation. Although some groupings of councils predate the Whitlam era, Kelly *et al.* note that it was the regional policies of the Whitlam government in the 1970s that initiated the modern ROC movement. ROCs were created as mandatory and not voluntary organisations, primarily as a vehicle for federal funding directly to local government (Kelly *et al.* 2009, p. 177).

About 80 ROCs were created but the new structures faced opposition from state governments as well as many councils themselves. A few years later the Fraser government discontinued federal support for ROCs and abandoned many of its predecessor's regional programs. As a result most of the ROCs established through the Whitlam initiatives collapsed (Kelly *et al.* 2009, p. 179).

However, as Kelly *et al.* note, the main point of contention was the mandatory nature of Whitlam's regional policies rather than the concept of local government involvement in regional structures. Some ROCs from the Whitlam era survived with the support of their member councils, most notably those in areas of high economic disadvantage such as Western Sydney, Hunter and the Illawarra. These ROCs became templates for future ROCs. As Kelly *et al.* put it:

It is at least feasible that the DURD's efforts helped lay groundwork for later regional municipal collaboration ... A novel, ongoing and evolving network of voluntary ROCs has since arisen from the ashes of DURD. Their purpose, however, is not to provide a channel for Commonwealth funding. Rather, they themselves seek revenue from any source available, with co-operative well-crafted grantsmanship skills derived from earlier experience (p. 180).

However, as Marshall *et al.* and others note, the results were patchy. When the Hawke/Keating government sought to re-engage with regional policies it initially looked to ROCs, but an assessment by the government found that progress had been very uneven, with many ROCs under-resourced or too parochial in their outlook. Some councils were also resistant to the further development of ROCs, fearing the creation of a fourth tier of government (Marshall *et al.* 2003, p. 172). As a result the federal government decided to bypass ROCs and establish separate regional structures involving a wider range of stakeholders – an enduring pattern of federal engagement in regional policies ever since. The most recent version of this arrangement is the creation of Regional Development Australia committees in 2008.

The second governance factor as noted by Bellamy and Brown and others has been the development of a general response to the increasing complexity of social problems which involves '... a shifting emphasis across all areas of public policy from uncoordinated hierarchical top-down or program-specific approaches to more holistic "governance" approaches that emphasise inter-sectoral coordination and cross-scale co-operation' (Bellamy and Brown 2009, pp. 2-3).

This is particularly noticeable in rural regions where formal institutional arrangements are often relatively weak. Bellamy and Brown identify a topology to describe the full range of intersecting regional governance structures in a case study of Central Western Queensland (CWQ). These include hierarchies but also networks, 'centrally orchestrated multi-stakeholder collaborations', public-private cooperative partnerships and, the category containing ROCs, 'ad hoc and self-organising

coalitions or partnerships'. Marshall et al take this argument one step further, claiming that in some cases ROCs have themselves evolved into 'semi-formal networks of regional governance' (Marshall *et al.* 2003, p. 184).

The third factor relates more specifically to urban and peri-urban areas. A number of authors have noted the comparatively high degree of governance fragmentation in Australian cities resulting from a combination of small metropolitan municipalities, sustained population growth and suburban expansion (Buxton 2006, Kübler 2007, Kübler and Randolph 2008). Kübler for example estimates that the geopolitical fragmentation of major Australian cities, measured as the number of councils per 100,000 people, is between three and ten times higher than comparable counterparts in other countries (Kübler 2007, p. 633).

In Sydney in particular the result has been a state of tension between the state government in its de facto role as a 'metropolitan government' and councils undertaking their role in developing and implementing local plans and managing local development. The resulting failures in resource allocation and infrastructure and services provision have also been well-documented (Gooding 2005, Kübler and Randolph 2008); more recently the Perth Metropolitan Local Government Review (MLGR) has called for a 'strategic approach to local government structure and governance' to overcome issues of fragmentation (MLGR 2011, p. 2).

Kübler contends that the classical approaches such as 'institutional consolidation compared with competition between governments' are of limited usefulness in describing, let alone dealing with, the complexity of Australian urban governance systems, especially in Sydney (Kübler 2007, p. 635). Kübler proposes joint decision systems and negotiated agreements based on positive coordination as an alternative. Kübler and Randolph sum up this approach as a shift toward 'new regionalism', suggesting that area-wide governance '... ultimately results from the ability to produce coordination among stakeholders through collaborative processes and voluntary cooperation' (Kübler and Randolph 2008).

These and the other policy responses will not be discussed in detail here except to note that as with the broader debates around regional governance, ROCs have been identified by several commentators as playing a potentially significant role in the new regional governance paradigm. There is however some of the ambivalence noted earlier in relation to service provision regarding the effectiveness of ROCs in regional governance, in part related to the ability of state and federal governments to ignore and even 'neuter' ROC initiatives through their regional policy responses – or lack thereof (Kübler and Randolph 2008, p. 149).

Another implicit criticism is the conclusion that only some ROCs have been able to achieve 'a seat at the table' in terms of engagement in regional governance. It also has to be noted that for some commentators at least the arguments against amalgamations are less persuasive from a regional governance perspective, especially in metropolitan areas, than they might be in relation to the delivery of local government services.

In summary, most discussion around ROCs has considered their roles rather than their structure – and then usually only as part of a wider consideration of local government functions. While these discussions cover a wide variety of issues, there are two themes particularly relevant to ROCs; their potential roles in leveraging economies of scale and scope in relation to local government service provision and in contributing to regional and urban governance.

These themes have informed the audit of ROCs in this report. It is timely to note here however that one difficulty with much of the literature is the lack of a consistent taxonomy to describe ROC

functions. While there are broad similarities in the tasks described, there are often key differences in the specific terms used, which are often undefined. Sometimes these terms are confusing and appear to overlap; for example, 'lobbying' can be identified as a separate category to 'regional advocacy'. An attempt is made to address this issue in the audit section.

2.3 The Impetus for Reform

2.3.1 Federal Government

As noted earlier, the current federal government has continued the pattern of establishing separate regional structures with a broad focus on economic development involving a range of stakeholders including but not limited to local government. However in a departure from the previous government's policies it has also re-engaged with urban management issues including some of the governance fragmentation problems discussed in the previous section.

Regional Development Australia (RDA)

Regional Development Australia (RDA) is a federal government initiative intended to bring together all levels of government to support regional growth and development. It also aims to build partnerships between government, the private sector and other key stakeholders to 'provide a strategic and targeted response to issues in each region and to facilitate community leadership and resilience' (RDA 2009, p. 1).

Fifty-five RDA committees were established in 2008 with membership drawn from local government and key regional stakeholders have been established throughout Australia to provide a strategic framework for economic growth. Each committee has five key roles:

- Consultation and engagement with the community;
- Informed regional planning;
- Whole-of-government activities;
- Promotion of government programs;
- Community and economic development (RDA 2009, pp. 2-5).

In undertaking these activities RDA committees are required to reduce 'duplication and overlap' (RDA 2009, p. 1).

Separate Memoranda of Understanding have been developed in each jurisdiction to guide the relationship between the RDA committees and existing state and territory economic development structures as well as local government. In NSW, Victoria, Queensland, South Australia and the ACT, state and territory regional development board or equivalent organisations have been amalgamated with RDA committees. In Western Australia, Tasmania and the Northern Territory, however, these bodies remain as parallel networks, though it is intended that they will work closely with RDA committees (Australian Senate 2011, p. 105).

The RDA committee model is consistent with the trend described earlier of the federal government establishing separate structures as the vehicle for its engagement in regional development rather than using the ROCs, though on several RDA committees the local government representatives have been drawn from or via the relevant ROCs.

The RDA committees therefore present both an opportunity and a challenge for ROCs. The RDA model represents a significant engagement by the federal government with state and local governments over regional issues and in doing so acknowledges their importance. On the other

hand, while the RDA model promises to avoid duplication, several of its key roles and responsibilities appear to cut across what a number of ROCs are already doing in the regional 'space'.

National Urban Policy initiative

Another federal government strategy which has implications for ROCs particularly in urban areas is the development of a national urban policy. The *Our Cities* discussion paper outlines the government's desire to '... focus on better design and management of urban systems to reduce the economic and environmental cost of current urban models' (Australian Government 2010 Foreword).

The paper acknowledges that Australia's major cities are integral to the national economy and are also the places where the majority of Australians live. However it also identifies a range of urgent challenges that are 'unique to cities' and which require a national response. These include a lack of integration and the impact of 'poor strategic alignment of metropolitan planning and infrastructure delivery' both on urban performance and on local governments (Australian Government 2010, p. 2).

Specifically in relation to councils the paper recognises that urban management is made more difficult by local government fragmentation and asserts that most capital cities 'have acquired a patchwork of Local Government jurisdictions covering relatively small land areas' and that there is debate over 'wasted resources and opportunities' associated with smaller local authorities versus a local desire for adequate representation and decision-making power (p. 53). It suggests that there should be an assessment of the outcomes of recent amalgamations, also proposing:

... a national and community discussion involving all levels of government on reforming Local Government through the creation of larger entities that can plan, finance and coordinate over larger population areas, and achieve greater economies of scale in service delivery and asset management (Australian Government 2010, p. 53).

The paper's support for larger local government entities therefore rests on a combination of the heavily contested arguments relating to economies of scale, recognition of the importance of developing strategic capacity and acknowledgement of the impact of governance fragmentation on urban management. However, while they are not mentioned explicitly, the federal government's endorsement of the merits of amalgamation as a form of consolidation may lead indirectly to the reassessment of ROCs as an alternative.

2.3.2 NSW

While the federal government may have provided the initial impetus for the formation of ROCs, it is state governments that usually have the most direct impact on their day-to-day operations, both directly through regional policy initiatives and indirectly through policies to encourage amalgamation.

One of the reasons NSW has a relatively strong ROC movement is the comparatively large number of councils and their relatively small size, especially in rural areas, compared to some other jurisdictions (though not Western Australia). NSW has had a number of amalgamations in recent years based on a process of regional reviews implemented by the state government in 2003 (NSW DLG 2006, p. 6). This has reduced the number of councils from 176 to 152 (Tiley and Dollery 2010, p. 17), though this has to be seen in the context of the much more substantial reductions in council numbers achieved by amalgamations over the past two decades in Queensland, South Australia, Victoria and New Zealand.

The amalgamations that have taken place in NSW have also left the metropolitan area largely untouched. There are 43 councils in Sydney, contributing to the high level of governance

fragmentation noted earlier. In addition, most of the amalgamations that were achieved in NSW occurred over five years ago. Since that time the state government has pursued alternative policies, most notably the encouragement of strategic alliances, shared services agreements and other collaborative arrangements (Tiley and Dollery 2010, p. 27-28; NSW DLG 2007). Current government strategies are discussed below.

Initiatives Supporting Greater Collaboration and Partnerships

In 2010 the NSW Division of Local Government undertook an extensive survey of shared services arrangements among NSW councils. The survey built upon the Division's engagement with local government resource sharing initiatives that had commenced in 2005 with the convening of the first strategic alliance workshop and the subsequent formation of the Strategic Alliance Network Executive Committee in 2006.

Throughout this period the Division was primarily focused on service delivery, an approach that was reinforced in 2006 by the then Minister for Local Government's initiative to encourage councils to form business clusters. Council participation in these arrangements was encouraged and the results surveyed.

The 2007 paper *Collaboration and Partnerships between Councils - a guidance paper released by the Division* encouraged councils to form strategic alliances and business clusters with a primary focus on cooperation between councils to achieve economies of scale and reduced duplication through shared service delivery.

These options of collaboration did not necessarily require a ROCs framework. While ROCs were not excluded from the new collaborative arrangements it was clear that they were not seen as having a primary role in achieving shared services outcomes. Instead, councils were encouraged to form new alliances which prioritised relatively narrow definitions of service delivery rather than some of the broader objectives that some ROCs supported, such as regional advocacy and planning. This was despite the fact that many ROCs also pursued regional shared service outcomes.

The 2010 survey appears to have taken a more even-handed approach to these issues by seeking information from councils about their participation in all forms of shared services including those facilitated through ROCs. The results formed a basis for an assessment of non-ROC collaborative arrangements but this was complemented by a detailed survey of ROCs themselves. The resulting report, *Collaborative Arrangements Between Councils - Survey Report* was released in 2011 NSW (NSW DLG 2011a).

Councils participating in the survey identified over 800 collaborative arrangements, including membership of bodies such as the LGA&SA and partnerships with bodies other than councils. While the outcomes were mainly positive, the survey found that the most common 'non-ROC' models were based on single-purpose arrangements. Only six multi-purpose strategic alliances were identified, of which only three had a 'strong strategic base'. The report acknowledged that ROCs were more 'more likely to be used to fulfil a multi-purpose role' (NSW DLG 2011a, p. 16) and subsequently concluded that 'ROCs continue to be a primary model through which councils elect to identify, manage and conduct their resource sharing/collaborative programs' (p. 25).

The report's findings in respect of ROCs are briefly summarised below. It should be noted that the following statements refer to the status of ROCs in 2010 as reported by the DLG and therefore do not necessarily reflect the current situation.

- **Scope of activities:** The survey analysed the scope of ROC activities based on the following classifications:
 - Advocacy;
 - Regional strategic planning;
 - Service provision (either to the public or to member councils);
 - Information sharing and problem solving.

While noting that the balance between these functions varies widely between ROCs, the report concluded that advocacy was ‘a relatively minor function’ for a majority of ROCs, though it also noted that involvement in regional strategic planning was still significant for many organisations. The report identified service provision as a ‘prime function’ of many ROCs, delineating these in terms of procurement, services to councils and services to communities. Specific examples of service provision and of the fourth category, information sharing and problem solving were also provided.

The DLG report's approach to reporting ROC activities will be discussed in more detail in the section on NSW ROCs.

- **Governance:** The survey found that about half of the ROCs are incorporated associations or companies; a number of others were interested in incorporation but saw the need for Ministerial approval under Section 358 of the *Local Government Act 1993* as an impediment. Other ROCs operate as a committee of one of the participating councils under Section 355 of the Act and saw no need to incorporate.

The report noted that all ROCs have a Board with (usually) the Mayor and sometimes another councillor as delegates. This is usually supported by a General Managers group.

- **Other outcomes:** All the ROCs that responded to the survey have formal business plans and the majority have a clear evaluation framework. Most employ a full-time executive officer and others are considering doing so. Some also employ additional administrative and program specific staff.
- **Factors critical to an effective ROC:** These were identified by ROC CEOs and included factors such as a strong commitment by members and Mayors that ‘get’ regionalism, effective relationships and good planning. Other factors identified included appropriate administrative/operational processes and sound relationships with other levels of government.
- **Key issues for further consideration:** The ROCs raised a number of issues for further consideration. These included the development of model structures/guidelines to assist ROCs in the development of collaborative arrangements and better recognition of the role of ROCs in the Local Government Act, including provisions to facilitate tendering by ROCS on behalf of member councils.

Other issues were the need to strengthen relationships between ROCs and State/Federal Governments including recognition of ROCs as a delivery mechanism for government services, development of formal agreements regarding regional outcomes and ‘formalised representation’ on key bodies and taskforces - including greater involvement in the State Plan and regional planning processes.

The Division of Local Government is preparing a discussion paper in response to the outcomes of the survey. It is understood the paper will support proposals to strengthen regional collaboration

through mechanisms in areas such as strategic planning, service delivery and increasing the efficiency and effectiveness of councils. The key role of ROCs in these processes will be recognised, though the Division's priorities appear still to favour those activities which are connected with the development and delivery of shared services.

The discussion paper will include a proposed strategic approach to regional collaboration, identifying key principles, functions and issues to resolve as well as outlining a process for councils to provide input. However the structure and direction of the paper will be influenced by the outcomes of the *Destination 2036* process (see next section).

Destination 2036 and Current NSW Reform Initiatives

The new NSW state government has adopted a partnership approach to local government reform, with the Minister for Local Government indicating his desire to strengthen the sector in terms of financial sustainability, capacity and local decision-making.

A key component of the changed relationship has been the *Destination 2036* initiative. This was a two-day forum held in August 2011 involving Mayors and General Managers from every NSW council, their counterparts from all NSW county councils, the executive officer of all NSW ROCs, office-bearers from the LGSA and representatives from Local Government Managers Australia (LGMA) NSW and relevant unions and professional associations (Elton Consulting 2011).

The aim of the forum was to 'begin the strategic plan and delivery program for NSW local government'. This involved exploration of challenges and opportunities, the development of a vision for the sector, a 'roadmap' for the implementation of this vision, commencing with a set of short-term actions that could be achieved within four years. The forum also explored appropriate models for local government and was also intended to build trust between local government and state government.

The Minister called on the local government sector to 'recognise the need for change and to embrace reform'. He asked the sector to focus 'on achieving its own solutions' through co-operation and innovation rather than presenting the state government with a 'shopping list'.

One major outcome was the high level of support for regional cooperation and for ROCs. While there was a clear predisposition in the *Destination 2036* guidelines to support cooperation, the extent to which the forum process embraced proposals that either directly advocated or implied forms of regional collaboration seems to have exceeded the expectations of both forum planners and many of the attendees.

A list of suggested actions arising from the forum has been compiled; of the nearly eighty actions identified, around one third directly or indirectly involve regional cooperation, including several that relate directly to ROCs. These actions are listed in Section 10 of the 2011 Elton Consulting Report (*Destination 2036: Outcomes Report*), but they fall into three broad categories:

- *Structural changes to enhance the delivery of shared services*: for example, incorporating legislative arrangements for ROCs into the Local Government Act that allow them to incorporate and removing legal and other barriers to shared services.
- *Regional strategic planning and delivery of government services*: for example, aligning regional boundaries and integrating strategic planning processes across all levels of government, setting up processes for regular consultation between government and ROCs.

- *Other proposals with clear implications for ROCs:* for example, making it easier for local government to set up corporate entities and for councils to provide services to each other, developing models of local government with options for regional services delivery.

An Implementation Steering Committee (ISC) was established to prepare a draft Action Plan based on the outcomes from the *Destination 2036* workshop and other stakeholder input and to coordinate the implementation of the plan, with a primary focus on the next four years. The ISC comprises the DLG Chief Executive and representatives from the LGA&SA and LGMA.

In November 2011 the Minister, Don Page MP, reinforced his support for ROCs, announcing that they will have ‘an expanded and more important role to play in the future of local government’ and stating that ROCs ‘are the primary model through which councils elect to identify, plan, manage and conduct their resource sharing arrangements and their collaborative programs’ (Page 2011). Page asked two questions which are particularly relevant to this audit:

....‘how do we capture a new role for regional organisations of councils in legislation?’, and, ‘what should be the structure and framework of any expanded regional organisations of councils?’ (Page 2011, p. 1).

The Minister also identified what some of these roles could be:

- Building member councils’ strategic planning capacity;
- Delivering council services on a regional basis;
- Delivering shared corporate services on a regional basis;
- Providing a regional voice for member councils and their communities;
- Procurement of shared assets and resources for productivity and efficiency gains;
- Regional training and the regional development of employee skills;
- Being a reference point for both State and Federal Government (Page 2011, p. 1).

The roles identified by the Minister are similar to those identified in the literature and also nominated by NSW ROCs in the DLG audit. While the majority relate to the collaborative delivery of council services, at least two – ‘providing a regional voice for member councils and their communities’ and ‘being a reference point for both State and Federal Government’ – relate to regional capacity building and management.

The Minister’s statement has been reinforced with the release of the *Destination 2036: draft Action Plan*, prepared by the ISC (NSW DLG 2011c). The ISC comments in the introduction to the draft Action Plan that it ‘does not seek to answer or implement the actions that were suggested at Dubbo. Rather, it provides a pathway and a process for their more detailed consideration’ (NSW DLG 2011c, p. 5).

While the release of the *draft Action Plan* has come too late to influence the direction of this audit or to be considered in detail, it is clear that the ISC’s approach reflects the collaborative nature of local government reform in NSW and also the high level of interest in ROCs. The ISC notes that the *draft Action Plan* is an ‘opening dialogue’ in a conversation with the sector and that many of the proposals developed at *Destination 2036* require further research, consultation and in some cases legislative change.

Within this framework the facilitation of greater resource sharing and cooperation between councils has been identified as the first initiative under the Efficient and Effective Service Delivery strategic direction. The *draft Action Plan* states explicitly that the government sees ROCs as ‘a key regional planning, consultation and delivery mechanism for the new State Plan – NSW 2021, as well as other

regional planning initiatives, such as Regional Transport Plans' (NSW DLG 2011c, p. 18). The Plan goes further:

The State Government has indicated that it is keen to work with ROCs on regional planning matters and ROCs are encouraged to leverage off these opportunities and to develop networks within State Government agencies.

In this context, the limited capacity of some of the smaller ROCs will need to be considered.

Looking forward, there is a need to examine how the role of ROCs can be strengthened in regional strategic planning, tendering and procurement and Local Government service delivery and how the current barriers, including legislative, attitudinal, financial and administrative, can be overcome (NSW DLG 2011c, p. 18).

The first two activities identified for this initiative specifically relate to ROCs, as follows:

- 1a. Councils to work with their ROCs to identify the range of services and activities that ROCs can provide on their behalf.
- 1b. Develop and release for consultation a proposed strategy to support ROCs and strengthen collaboration on a regional basis (NSW DLG 2011c, p. 19).

There will be consultation on the *draft Action Plan* mid February 2012 after which it will be presented to the Minister for Local Government.

In addition state government's commitment to regional approaches in other policy areas referred to in the *draft Action Plan*, such as transport and the new State Plan has already commenced. For example the government released a circular to councils at the end of November 2011 announcing that it will consult with councils and communities to develop 'regional action plans aligned to NSW 2021' (NSW DLG 2011d, p. 1).

The regions identified in the circular do not match the existing ROC boundaries but they are broadly similar and ROCs are identified as one of the stakeholder groups invited to provide input. However this does raise the questions, first, of who defines government departmental regions and second, of the role that ROCs will have in regional initiatives not directly connected to local government.

2.3.3 Western Australia

As noted earlier, councils in Western Australia like their counterparts in NSW have not experienced a major wave of amalgamations in recent years. As a result the state has 139 councils, a comparatively high number compared to other jurisdictions except NSW. The average population of around 16,500 also masks the fact that 66 councils have populations under 2,000. There is an even higher level of governance fragmentation in the metropolitan area than there is in Sydney, with 30 councils in the Perth region which has a population of 1.7 million (WA DLG 2010a).

Unlike the proactive and often mandatory approaches in many other jurisdictions, there were few pressures on councils to amalgamate with successive state governments rejecting forced amalgamation until recently (Tiley and Dollery 2010, p. 22). In fact a number of new and comparatively small councils were created on the periphery of the Perth CBD in 1994 (Tiley and Dollery 2010a, p. 21).

While Western Australia, like NSW, has developed a range of regional structures in response to the large number of councils, these are more complex than the NSW arrangements: as well as Voluntary Regional Organisations of Councils (VROCs) there are Regional Local Governments (RLGs, which are

very similar to county councils in NSW), Regional Transition Groups (RTGs) and Regional Collaboration Groups (RCGs).

There are two reform initiatives in Western Australia that have particular implications for ROCs, as well as a number of proposals developed by the Western Australian Local Government Association. These are considered below.

State Government Initiatives

Local Government Reform Process

In 2009 Minister for Local Government announced a voluntary reform process whose objective was to create fewer councils with a greater strategic capacity which would be better to 'plan, manage and implement services to their communities with a focus on social, environmental and economic sustainability' (Castrilli 2009).

As well as nominating strategic capacity the Minister also cited greater scale economies, a clearer focus on governance, an improvement in the capacity of councils to lobby state and federal governments and the need to 'increase competition for staff positions' in the local government sector (Castrilli 2009) as drivers of the reforms. The Western Australian Department of Local Government (WA DLG) also identified an improved ability to meet community expectations and more effective advocacy for local and regional communities as objectives of the reform process (WA DLG: 2010a, p. 10).

The aim of the reform process itself was to facilitate the voluntary amalgamation of councils and a reduction in the number of councillors to between six and nine per council. A Local Government Reform Steering Committee (LGRSC) was appointed, including representation from the public and private sectors and members of the Local Government Advisory Board, supported by four working groups (Castrilli 2009). Councils were required to complete a self-assessment checklist which was assessed by the Department and then to make a submission regarding amalgamation options and preferred regional grouping that was analysed by the steering committee.

These submissions were effectively rejected by the committee as being inadequate. The Minister then asked the department to 're-engage with the sector' on the basis of two regional models: regional transition groups (RTGs), in which two or more councils work to complete a regional business plan with a view to amalgamating in 2013, and regional collaborative groups (RCGs) to examine the potential for shared services arrangements in areas where the distances involved mean that amalgamation is not feasible (LGRSC 2010, p. 2). Participation in these groups is voluntary and funding and regional business planning tools are provided to support their operations.

The steering committee's report was frank in its assessment of both the depth of opposition among Western Australian councils to amalgamation and its causes. It also made a number of recommendations to support amalgamation processes. The committee was replaced in June 2010 by a Local Government Reform Implementation Committee supported by six working groups 'to oversee and progress the implementation' of the reform agenda (WA DLG 2010, p. 13).

Perth Metropolitan Local Government Review

In another indication that the voluntary amalgamation process was not producing the results it required, the Western Australian State Government recently initiated a parallel process with the appointment of an independent panel to review governance arrangement in metropolitan Perth.

The panel's terms of reference include identifying 'specific regional, social, environmental and economic issues' and other national and international factors likely to affect the growth of metropolitan Perth in the next 50 years, researching and preparing options to establish improved local government structures and governance models for the Perth metropolitan area, identifying new local government boundaries and a resultant reduction in the overall number of councils and presenting a limited list of achievable options together with a recommendation on the preferred option (MLGR 2011a, p. 1).

Describing the amalgamation proposals submitted by Perth councils as 'piecemeal', a background paper released by the review panel notes that the city is undergoing an 'intense period of transition and change' resulting from pressures such as the shift from an industrial to a knowledge-based economy and the ageing of the population. The paper also cites local government fragmentation as a key factor requiring a 'strategic approach to local government structure and governance' (MLGR 2011b, p. 2).

The Western Australian Government's local government reform processes have a number of implications for VROCs, which appear to have been largely marginalised by the reforms. Unlike their NSW counterparts they have not been considered as an interface with local government during the reform process, let alone as alternative structures to amalgamation. The Minister for Local Government was blunt in his assessment of the relationship of VROCs to the reform process:

The sector said it needs reform and you also said, it has to be sector led. I have asked you for your views on how this should be achieved. I did say that I believed VROCs would not lead to the reforms needed. They seem to be a means to avoid reform (Castrilli 2010, p. 2).

Even where amalgamation is not being considered the government has decided to bypass the VROCs to establish RCGs, which it regards as providing '... a more formal and substantive platform for regional collaboration than occurs under existing Voluntary Regional Organisation of Councils (VROCs)' (WA DLG 2010b, p. 2). In addition, while a number of the RTGs and RCGs are consistent with VROC regions, some cut across these boundaries.

Given the relatively small size of many Western Australian VROCs, it is likely that some would simply disappear if amalgamations proceed. The Perth local government review process could also accelerate that outcome for the remaining VROCs in the metropolitan area.

WALGA Initiatives

As in NSW, Western Australia VROCs do not have a specific form of incorporation and, unlike NSW, they mostly remain informal bodies (WA DLG 2010, p. 8). This is in part because the Western Australian *Local Government Act* is explicit in prohibiting council participation in companies with some limited exceptions contained in the relevant regulations (WALGA 2010a, p. 9). The only formal form of shared services structure that councils can establish are Regional Local Governments, similar to county councils in NSW, which have a significant compliance burden (WALGA 2010b, p. 2).

WALGA has proposed several policy responses, of which the two most significant are discussed here. The first is a proposal for councils to be able to establish Local Government Enterprises, subject to community consultation, which would allow them to undertake a range of commercial activities (WALGA 2010a). The second, which is particularly relevant to VROCs, is to allow councils to establish regional subsidiaries. Under this model (based on similar bodies permitted under South Australian legislation) two or more councils would be able to establish a regional subsidiary to undertake shared service delivery.

Regional subsidiaries would differ from regional local governments in that their charter rather than legislative compliance would be their primary governance and regulatory instrument (WALGA 2010b, p. 3). Part of the distinction is also symbolic; the intent is for these bodies to be seen as subsidiaries rather than independent local governments and for their boards to act primarily in the interests of their member councils.

WALGA identified two key drivers for the proposal; the first is to find innovative ways to provide high-quality services; the second is to provide an alternative to amalgamations to achieve cost savings. Somewhat optimistically in light of the recent government reform processes outlined above, WALGA claims that:

There is little evidence to suggest that amalgamations have brought about significant efficiency gains or wholesale cost savings for Local Governments. Consequently the focus of Local Government reforms has shifted towards shared service models as a means to achieve efficiency gains and economies of scale appropriate to particular municipal services (WALGA 2010b, p. 7).

A private member's bill to amend the *Local Government Act* to permit regional subsidiaries was introduced to state parliament and referred to an upper house committee for consideration. The Committee concluded that the bill contained insufficient description and recommended a number of changes be made before it proceeded further, such as the inclusion of provisions to clarify duty of care, the nature of the relationship between a regional subsidiary and its participating councils and protection from liability for the regional subsidiary (Legislative Council 2011, p. 43-44).

The proposed legislation is not universally supported. There are suggestions for example from some regional local governments that a reduction in the compliance requirements of RLGs (which WALGA also supports) would be adequate to achieve the same ends. Consistent with the views quoted earlier about VROCs, there is also a concern among some in government that councils might see the regional subsidiary model as a 'back door' way of avoiding the government's push for amalgamation.

2.4 Conclusion

The roles of ROCs in leveraging economies of scale and scope in local government service provision and their contribution to regional and urban governance, two key themes identified in the literature, have been viewed very differently by the federal, NSW and Western Australian governments.

The federal government has a long history of engagement with regionalism which included the creation of the modern ROC 'template' but which subsequently involved the formation of other regional bodies. The current government has renewed this commitment but also continues to maintain its own structures through the implementation of the RDA initiative. It has also recognised some of the problems caused by governance fragmentation in large urban centres, although its policy response appears to favour larger councils as the main form of governance consolidation.

These policy approaches are a mixed blessing for ROCs. On the one hand, the federal government's commitments to increasing strategic capacity at the regional level and reducing governance fragmentation provide a positive environment for ROCs. On the other, the government appears to have a clear preference for its own regional structures and for larger urban councils rather than ROCs as appropriate policy responses.

In NSW, ROCs are beginning to enjoy a much more positive relationship with the state government. The outcomes of the NSW DLG's 2010 survey provided the government with a greater appreciation of their potential to achieve significant scale and scope economies. The state government has further embraced ROCs through the *Destination 2036* process and has made a number of announcements about the development of regional approaches involving ROCs in policy areas other than local government, thus highlighting their potential to contribute to regional capacity building.

While this provides a marked contrast with the policies of the previous state government, the seemingly open-ended nature of the government's new approach could be problematic. The audit outlined in the next section suggests that many ROCs would need additional resourcing to undertake this expanded role. There are concerns however that this approach could lead to ROCs being co-opted by government, losing their identity as bodies which are 'owned' by their member councils.

Despite these concerns the current situation and future prospects of ROCs in NSW are much brighter than for their counterparts in Western Australia. The state government has cited the need to achieve economies of scale and scope as the basis for local government reform, but has taken almost the opposite approach to its counterpart in NSW, bypassing ROCs to set up alternative structures as a precursor to amalgamation. Even in areas where amalgamations are not contemplated, alternative collaborative options are being explored and it is likely that ROCs will end up being further marginalised.

3. Audit of NSW Regional Organisations

3.1 Overview

This section considers the outcomes of the audit of NSW Regional Organisations of Councils. It has been informed by the following source material and processes:

- A review of the NSW Division of Local Government (NSW DLG 2011a), *Collaborative Arrangements between Councils - Survey report*;
- The report of the *Consolidation in Local Government: a Fresh Look* (Aulich *et al.* 2011) study conducted by ACELG, the Local Government Association of South Australia and Local Government New Zealand;
- A range of publications about each ROC such as annual reports, strategic plans and financial statements;
- A summary which was prepared for each ROC and forwarded to the relevant CEO for comment. The summary covered:
 - Organisation structure, including the type of ROC, its composition, governance and staffing arrangements;
 - Business model, including the overall budget size, the main sources (including the proportion from memberships, government grants, procurement rebates and other sources) and the main expenditure areas;
 - Current key priorities, activities and projects. This was divided into shared services, regional capacity and commercial services;
 - Organisation planning and review, which identified the most recent review or strategic planning process and if there was any significant changes to the ROC as a result.

While there was a wide range in the level of detail provided by each ROC, only one declined to provide any comments in response to the summary;

- ROC CEOs were also asked a further range of questions about the adequacy of their ROC's current structural arrangements and if their ROC had plans to change these. These questions were asked on the basis that they would not be attributed to individual CEOs but would help inform the analysis of ROC operations. About half the CEOs responded. Other interviews were conducted with selected CEOs and with other stakeholders including the DLG and the NSW LGA&SA;
- A range of other sources, including the DLG Local Government Directory and Australian Bureau of Statistics data.

It should be stressed that the purpose of the audit was not to evaluate or rate the performance of ROCs in any way, but rather to document their structures, financial models and activities, as well as the relationships between these elements. The fact that these vary greatly is not a commentary on how well a ROC is operating; instead, as the DLG notes and the audit affirms, these differences largely reflect '... the resourcing provided by member councils to ROCs, varied size and geographic location of member councils and regional priorities as established by member councils.' (NSW DLG 2011a, p. 17).

Furthermore, these elements also change over time. This applies particularly to funding; the only reasonably constant source is membership contributions, while grants, contributions for one-off projects from members or from joint purchase rebates can vary considerably from year to year. This means that the data in this section should be used with a degree of caution.

3.2 Comparison of ROCs and ROC Membership

This section summarises the outcomes of the NSW ROC audit process. First however, it is necessary to look at the extent to which councils in NSW are members of ROCs.

Table 2 demonstrates the high level of membership in NSW. Less than 10% of NSW councils are not a member of any ROC. Two of these 13 councils are in the far west of the state where the large distances make participation in a ROC difficult. Another two are in the Sydney metropolitan area and a fifth is in the central west of NSW.

The majority of councils that are not currently involved in a ROC are former members of the New England Local Government Group, which ceased operations when a number of participating councils joined the New England Strategic Alliance of Councils (NESAC) which itself subsequently collapsed. Of these, three are not a member of any ROC, while another four are now members of Border Regional Organisation of Councils (BROC), a ROC involving councils on both sides of the Queensland border which deals specifically with border-related issues. It has been difficult to obtain further information about BROC, which because of its specialist and cross-border membership has not been included in this audit.

Of the 26 councils that are members of two ROCs, the majority (15) are members of the Sydney Coastal Councils Group (SCCG) which is a special purpose ROC as well as another 'general purpose' ROC. Only nine NSW councils are members of two neighbouring general purpose ROCs - only one such council is in the metropolitan area.

Table 2 also provides a snapshot of the key attributes of the 17 operational ROCs in NSW, based on the summaries developed for each ROC. These key attributes are discussed in more detail in this section.

Table 2: Summary of NSW Regional Organisations of Councils (ROCs)

Regional Organisation of Councils (ROC)	Founded	Members: Councils	Other	Size: Area (km ²)	Population (2010 est.)
Central Coast Regional Organisation of Councils (CCROC)	1994	2	-	1,680	319,715
Central NSW Councils (CENTROC)	1989	16	1	70,043	210,566
Hunter Councils Group	1955	11	-	29,391	651,622
Macarthur (MACROC)	1986	3	-	3,070	254,081
Mid North Coast Group of Councils (MIDGOC)	2002	8	-	21,394	301,471
Namoi Councils	2000	5	1	39,270	96,731
Northern Rivers Regional Organisation of Councils (NOROC)	1992	7	2	20,733	296,677
Northern Sydney Regional Organisation of Councils (NSROC)	1989	7	-	637	567,194
Orana Regional Organisation of Councils (OROC)	1997	11	-	190,015	91,198
Riverina and Murray Regional Organisation of Councils (RAMROC)	2008#	18	-	126,593	168,485
Riverina East Regional Organisation of Councils (REROC)	1994	13	2	47,920	140,332
South East Regional Organisation of Councils (SEROC)	2010	12	-	45,392	185,730
SHOROC	1996	4	-	263	276,869
Southern Councils Group	1985	7	-	18,008	507,756
Southern Sydney Regional Organisation of Councils (SSROC)	1986	16	-	679	1,569,870
Sydney Coastal Councils Group	1989	15	-	1,237	1,436,531
Western Sydney Regional Organisation of Councils (WSROC)	1973	10	-	5,470	1,559,990
Total ROC membership		165*	6		
Total councils that are members of more than one ROC		26			
Total councils that are not a member of any ROC		13			
Total councils that are ROC members		139			
Total NSW councils		152			

Notes: # RAMROC formed in 2008 from the merger of two other ROCs

* Total ROC membership includes councils that are members of more than one ROC

Source: Information provided by ROCs, NSW DLG and ABS data

3.2.1 Structure

Type and Composition

There are a number of ways in which ROCs can be categorised. One way is to group them according to type. This is difficult in NSW given the very diverse areas some ROCs cover and the range of councils which make up their membership, especially outside the Sydney region. Nonetheless, some broad distinctions can be made.

Table 3 shows the breakdown of ROCs according to the following types:

- **Metro:** ROCs that are based wholly within the Sydney metropolitan area. Obviously the councils involved are mainly urban in nature, ranging from established inner and middle suburbs to new release areas at the city's fringe, although there is still agriculture present in some of the outer urban councils. All but two of Sydney's 44 councils belong to one of the six metropolitan ROCs, with one council belonging to two ROCs.
- **Regional Centres:** ROCs that draw their membership from councils located in and around the major regional centres of Newcastle and Illawarra. Both these ROCs have very diverse membership, ranging from urban centres to predominantly rural areas. All 18 councils in the Hunter and Illawarra regions belong to a regional ROC.
- **Rural:** These are generally ROCs based on river catchments such as the Murray and the Namoi, or on agricultural regions and smaller regional centres. These eight ROCs have 90 members, though there are eight councils which are members of either two rural ROCs or a rural and regional ROC.
 - The rural ROCs have been further subdivided into coastal ROCs, of which there are only two with a combined membership of 15 councils and the six inland ROCs which have a total of 75 members (although it has one council member on the coast, SEROC has been counted as an inland ROC because all its other members are landlocked).
- **Special:** Special purpose ROCs which focus on a specific activity area. There is only one such ROC, the Sydney Coastal Councils Group, which concentrates on coastal and estuarine issues. This ROC could also be regarded as a metropolitan ROC, but because all 15 of its members are Sydney councils which also belong to another metropolitan ROC it has been regarded for the purpose of this study only as a special purpose ROC.

Table 3: Types of NSW ROCs

ROC Type	No. member Councils*	Population (2010 est.)*
Metro		
CCROC	2	319,715
MACROC	3	254,081
NSROC	7	567,194
SHOROC	4	276,869
SSROC	16	1,569,870
WSROC	10	1,559,990
Metro Total	42	4,547,719
Regional Centres		
Hunter CG	11	651,622
Southern CG	7	507,756
Regional Centres Total	18	1,159,378
Rural-coastal		
MIDGOC	8	301,471
NOROC	7	296,677
Rural-coastal Total	15	598,148
Rural		
CENTROC	16	210,566
Namoi Councils	5	96,731
OROC	11	91,198
RAMROC	18	168,485
REROC	13	140,332
SEROC	12	185,730
Rural Total	75	893,042
Special		
Sydney Coastal CG	15	1,436,531
Special Total	15	1,436,531
Total	165*	

Note * Totals of member councils and populations include councils that are members of more than one ROC
Source: ROC information and ABS data

Another way of categorising ROCs is by size. This can be done in various ways; area, population or number of member councils. These dimensions are explored in tables 4 and 5.

Table 4: NSW ROCs ranked by membership numbers

ROC	Council membership	Area km ²	Population (2010 est.)	Type
Central Coast	2	1,680	319,715	Metro
MACROC	3	3,070	254,081	Metro
SHOROC	4	263	276,869	Metro
Namoi Councils	5	39,270	96,731	Rural
NOROC	7	20,733	296,677	Rural-coastal
NSROC	7	637	567,194	Metro
Southern CG	7	18,008	507,756	Regional
Mid GOC	8	21,394	301,471	Rural-coastal
WSROC	10	5,470	1,559,990	Metro
Hunter CG	11	29,391	651,622	Regional
OROC	11	190,015	91,198	Rural
SEROC	12	45,392	185,730	Rural
REROC	13	47,920	140,332	Rural
Sydney Coastal CG	15	1,237	1,436,531	Special
CENTROC	16	70,043	210,566	Rural
SSROC	16	679	1,569,870	Metro
RAMROC	18	126,593	168,485	Rural
Average*	9.7			

Note * Average includes councils that are members of more than one ROC

Source: ROC information and ABS data

Table 5: NSW ROCs ranked by population size

ROC	Council membership	Area km ²	Population (2010 est.)	Type
OROC	11	190,015	91,198	Rural
Namoi Councils	5	39,270	96,731	Rural
REROC	13	47,920	140,332	Rural
RAMROC	18	126,593	168,485	Rural
SEROC	12	45,392	185,730	Rural
CENTROC	16	70,043	210,566	Rural
MACROC	3	3,070	254,081	Metro
SHOROC	4	263	276,869	Metro
NOROC	7	20,733	296,677	Rural-coastal
MIDGOC	8	21,394	301,471	Rural-coastal
Central Coast	2	1,680	319,715	Metro
Southern CG	7	18,008	507,756	Regional
NSROC	7	637	567,194	Metro
Hunter CG	11	29,391	651,622	Regional
Sydney Coastal CG	15	1,237	1,436,531	Special
WSROC	10	5,470	1,559,990	Metro
SSROC	16	679	1,569,870	Metro
Average*			507,930	

Note * Average includes populations of councils that are members of more than one ROC

Source: ROC information and ABS data

In most respects the outcomes are not surprising:

- NSW ROCs range in size from just two councils (CCROC) to 18 (RAMROC). They are almost evenly divided between those with less than 10 member councils each and those with 10 or more. Some of the larger ROCs are the result of a process of consolidation, for example, RAMROC is the result of a 2008 merger of two smaller ROCs, while SSROC in Sydney's south has absorbed a number of inner metropolitan councils from the now-defunct IMROC (see Table 4).
- The smallest ROCs in terms of membership numbers (CCROC, MACROC and SHOROC) are all located in the Sydney metropolitan area, while the other metropolitan ROCs are considerably larger in terms of members and population. This pattern is the result of historic and geographical factors; for example, CCROC's membership reflects to some extent the Central Coast's unique identity and physical separation from the rest of the Sydney metropolitan area and the Hunter.
- The largest ROCs by area and those with the smallest populations tend to be in rural areas; the largest ROCs by population are the three largest metropolitan ROCs, Sydney Coastal Councils and the two regional ones. The largest rural ROCs by population are the two coastal ones, which are larger than the two smaller metropolitan ROCs. These patterns obviously reflect the concentration of population along the NSW coast (see Table 5).

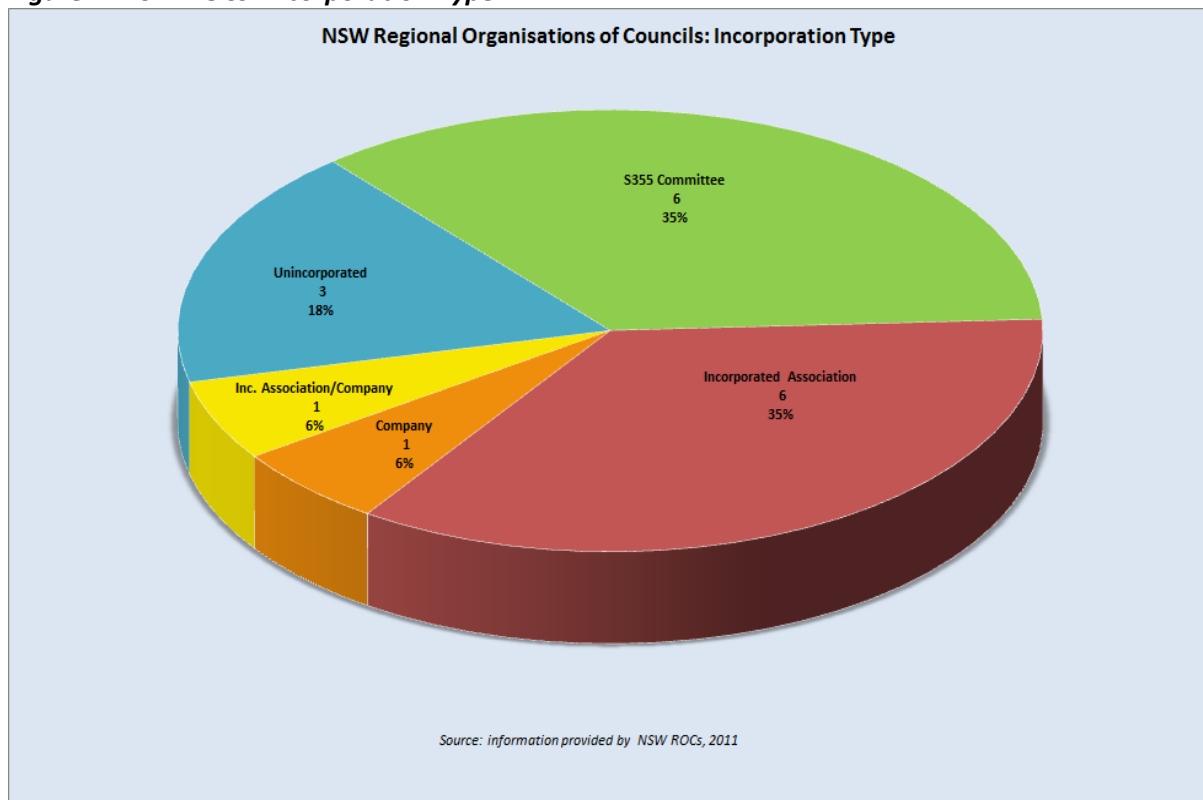
Other dimensions of the size of ROCs such number of staff, total budget or range of activities will be explored below.

Governance

Legal Structure

Figure 1 summarises the legal arrangements which NSW ROCs have adopted.

Figure 1: NSW ROCs: Incorporation Type



These can be divided into three groupings:

- Six ROCs have adopted the provisions of Section 355 of the *NSW Local Government Act* which allows councils to delegate certain functions to committees including ROCs. These ROCs also use the delegating council (or in some cases, another member council) to employ staff, sign contracts etc.
- Eight ROCs have been incorporated under either the *NSW Incorporated Associations Act* or as non-profit companies under *Federal corporations legislation*. Of these, six are incorporated associations, one (WSROC) is a company and another (Hunter Councils Group) has two operational arms one of which is an incorporated association and the other a company. These ROCs can employ staff or sign contracts in their own right. It should be noted that it is a common practice for councils that are members of incorporated ROCs to also designate the ROC as a Section 355 Committee for the purposes of appointing delegates and delegating matters to the ROC.
- Three ROCs do not have any formal legal structure, of these at least one (MIDGOC) is actively seeking to be recognised as a Section 355 committee. Like ROCs which are S355 committees, these ROCs rely upon a member council to employ staff and sign contracts.

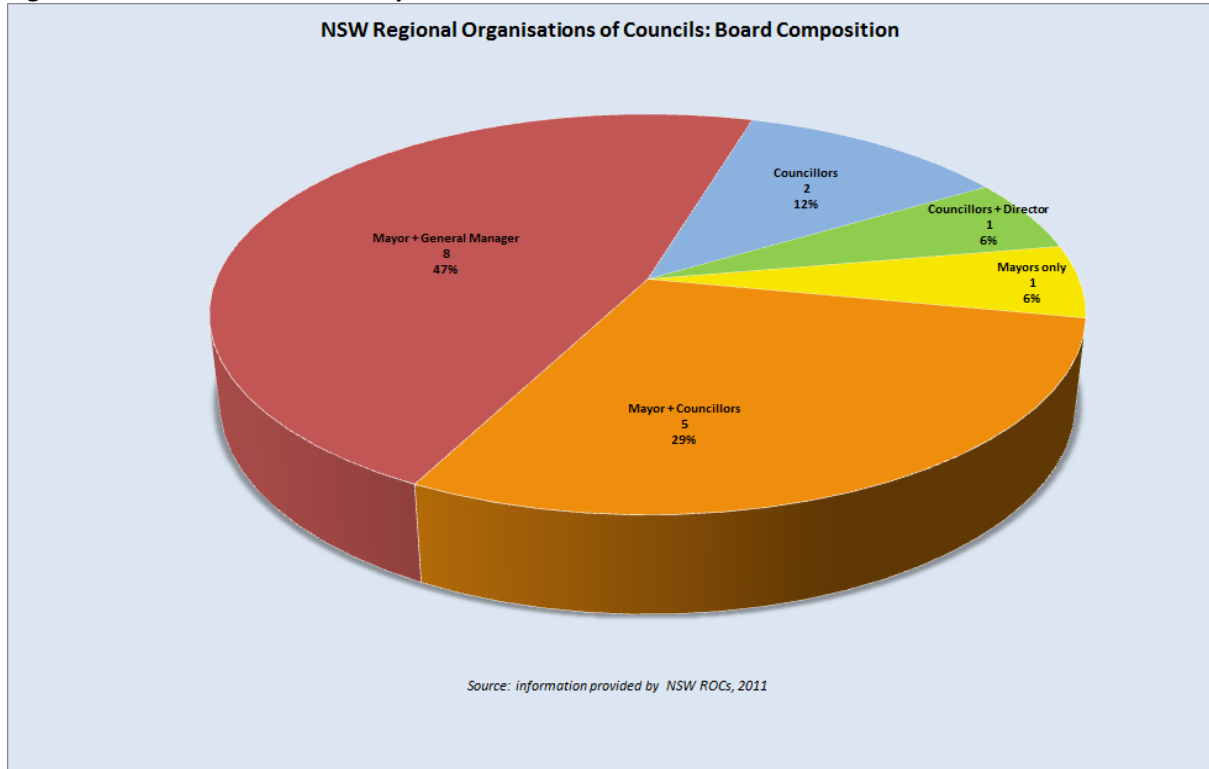
Apart from the fact that all the larger ROCs have some sort of legal structure, there is surprisingly little correlation between size, location or ROC type with legal entity. For example, the two regional ROCs (which are also the two largest ROC employers) have very different legal structures. One, Southern Councils Group is a Section 355 committee, while as described earlier Hunter Councils is both a company and an incorporated association.

Management structure and Board composition

All NSW ROCs have boards with overall responsibility for managing the organisation. Eleven ROCs indicated that they also had an executive comprising the organisation's office bearers (it is likely that in at least some of the other ROCs the office bearers also operate collectively as an informal Executive).

Figure 2 shows the various options which ROCs have adopted in relation to board composition.

Figure 2: NSW ROCs: Board Composition



While there is a wide variety, a common element across 14 of the 17 ROCs is that the Mayor is either required or expected to be one of the representatives from each council, while CCROC requires Mayoral membership of its Executive.

In the case of councils under administration the Administrator usually represents the council concerned; for those ROCs where organisations other than councils are members the equivalent of the Mayor sits on the Board. Only Sydney Coastal Councils and WSROC do not have any Mayoral requirement in relation to their boards or executive.

The level of engagement of General Managers in the management of ROCs is also significant. At the Board level, eight of the 17 ROCs have a requirement or expectation that a General Manager will be one of the delegates, providing for a Mayor-General Manager combination at all these ROCs. In Hunter Councils, General Managers are not involved in the Board of the incorporated association arm, but form the Board of the company arm.

General Managers are also involved in other ways. Almost all ROCs have a General Managers Advisory Committee (GMAC) or equivalent grouping. One exception is Sydney Coastal Councils, where due to the organisation's specialised focus the function of a GMAC is performed by other bodies involving council Directors.

The role of the GMAC varies, from being mainly advisory to having more direct input in the organisation's operations. In some ROCs individual General Managers also act as project leaders for specific projects.

As well as a GMAC most ROCs have a number of committees or working groups usually comprising professional staff from member councils. These committees or groups often report to the organisation via the GMAC, especially those committees which deal with council services.

In summary, the hierarchy of a Board with Mayoral (and often General Manager) participation, Executive, GMAC and professional committees has become a template for the structure of the majority of ROCs in NSW.

CEO Responses

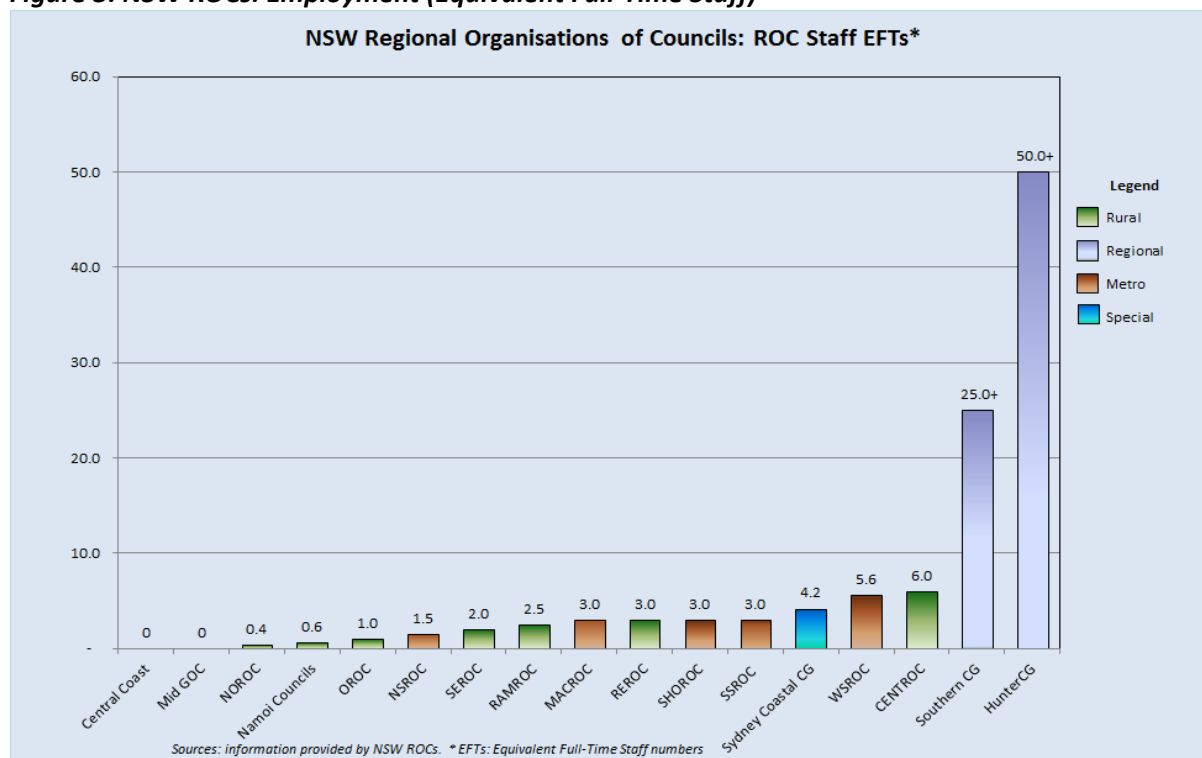
ROC CEOs were asked specifically to comment on the capacity of their organisation's structural capacity in additional questions. The majority believed that their current capacity was adequate, though several observed that they could always do more with more resources. However one organisation was actively reviewing its structure, while another (an incorporated association) was considering a form of incorporation more appropriate to its expanding activities. On the other hand two ROCs that were not currently incorporated were considering becoming incorporated associations to more appropriately manage risk.

Staffing

While information was provided regarding the staffing levels of most ROCs, this should be regarded with some caution. As several ROCs have advised, staffing levels vary greatly over time with changes in funding levels, particularly in relation to one-off projects funded by grants or by the member councils themselves. It is also not always easy to distinguish between these latter positions, those funded by 'core' membership payments or those funded from other sources, for example joint purchase rebates.

Figure 3 summarises ROC employment numbers.

Figure 3: NSW ROCs: Employment (Equivalent Full-Time Staff)



Only two ROCs, CCROC and MIDGOC do not currently employ or contract any staff and MIDGOC is seeking to do so. Three other ROCs, NOROC, OROC and REROC, do not employ their own staff but contract consultants to provide executive and other services (an estimate of the equivalent full-time positions for each of these ROCs is provided in the graph).

The ROCs with employed or contracted staff vary greatly in employment levels, from less than half of an equivalent full time (EFT) position to over 50, although between these two extremes there is some consistency.

The three ROCs with one staff member or less are all rural ROCs which have only relatively recently begun to employ (or contract) staff; of the next two largest ROCs in terms of staffing, with two or less staff members, one is a metropolitan ROC, the other rural.

The most common group with five ROCs are those which employ between 2.5 and four staff, with another three employ between 4.2 and nine. There is only a limited correlation between ROC population size and staff numbers; by far the largest ROCs in staffing terms are Hunter Councils (50+) and Southern Councils Group (25+) which are fourth and sixth in population size respectively.

While there are exceptions, there is a broadly consistent pattern of ROC employment. All ROCs with staff employ or contract an Executive Officer, CEO, General Manager or similar position who oversees the delivery of the organisation's strategic priorities. In smaller ROCs with the equivalent of only one full-time position or less, the CEO can have a very 'hands on' role in delivering most aspects of the organisation's services, though in some cases support is provided by a member council, which for example may assist with administrative assistance.

In slightly larger ROCs which have up to one extra employee, the additional position usually provides administrative support. In organisations with two or three additional employees the positions are either administrative or undertake specific aspects of program delivery which are funded through membership fees or grants, or they are a combination of both.

Larger ROCs with more than four staff obviously have a higher degree of specialisation. In addition to the CEO these ROCs usually have at least one administrative position (often full-time) and a range of full-time and part-time staff with specific skills, often to deliver complex projects. A higher proportion of these positions are either funded through grants, additional contributions by member councils for one-off projects or, in the case of the three ROCs which have commercial operations, by some of the proceeds of these activities.

Obviously the CEOs of ROCs with larger staff numbers will have more management responsibilities than those of smaller ROCs, but in most cases the organisation's workload means that they still have a role in some aspects of direct service delivery such as the organisation's advocacy activities.

3.2.2 Business Models

This section explores the different approaches that ROCs take to funding their provision of services. The figures relating to ROC finances need to be treated with even greater caution than the staffing data because they can vary greatly from year to year depending on changes in grant levels and other factors such as one-off member contributions for specific projects. In addition, a number of ROCs have provided limited financial data, some citing commercial-in-confidence reasons.

For the majority of ROCs annual financial statements have been the initial source of financial information. At the time of writing the most recent publicly-available reports were for the 2009-10 financial year, some ROCs have updated their figures to the 2010-11 financial year but not all have been able to do so. In other cases ROCs have provided averaged figures and for a few organisations older published data has had to be used.

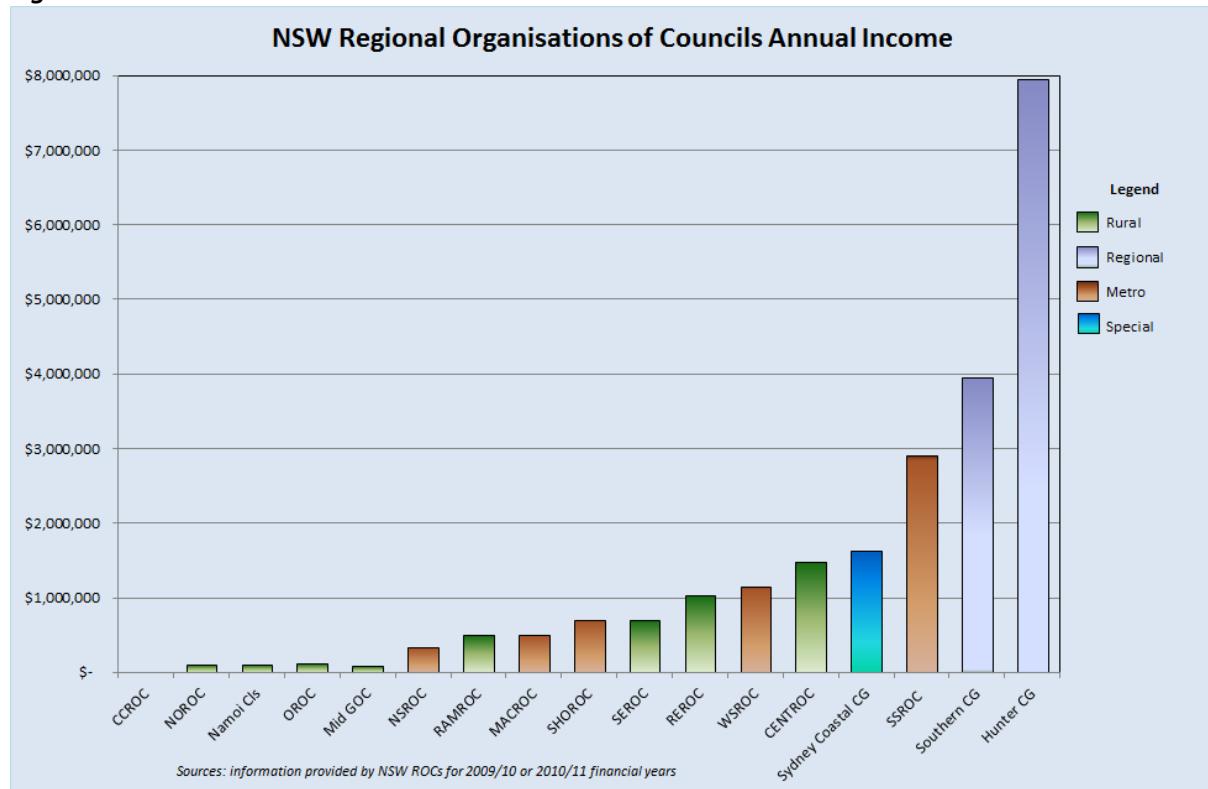
Another complication is the variety in accounting methods used, due in part to the approaches by which ROC have established their legal status - Section 355 committees, incorporated associations

and companies – or non-status, in the case of unincorporated associations. This means for example that not all the income for projects which a ROC manages will be consolidated into its accounts, especially when projects are auspiced by one or more member councils. The treatment of items such as grants carried forward and one-off membership contributions for special projects also varies from ROC to ROC.

Overall Budget

Figure 4 shows the most recent annual income totals for NSW ROCs.

Figure 4: NSW ROCs: Annual Income

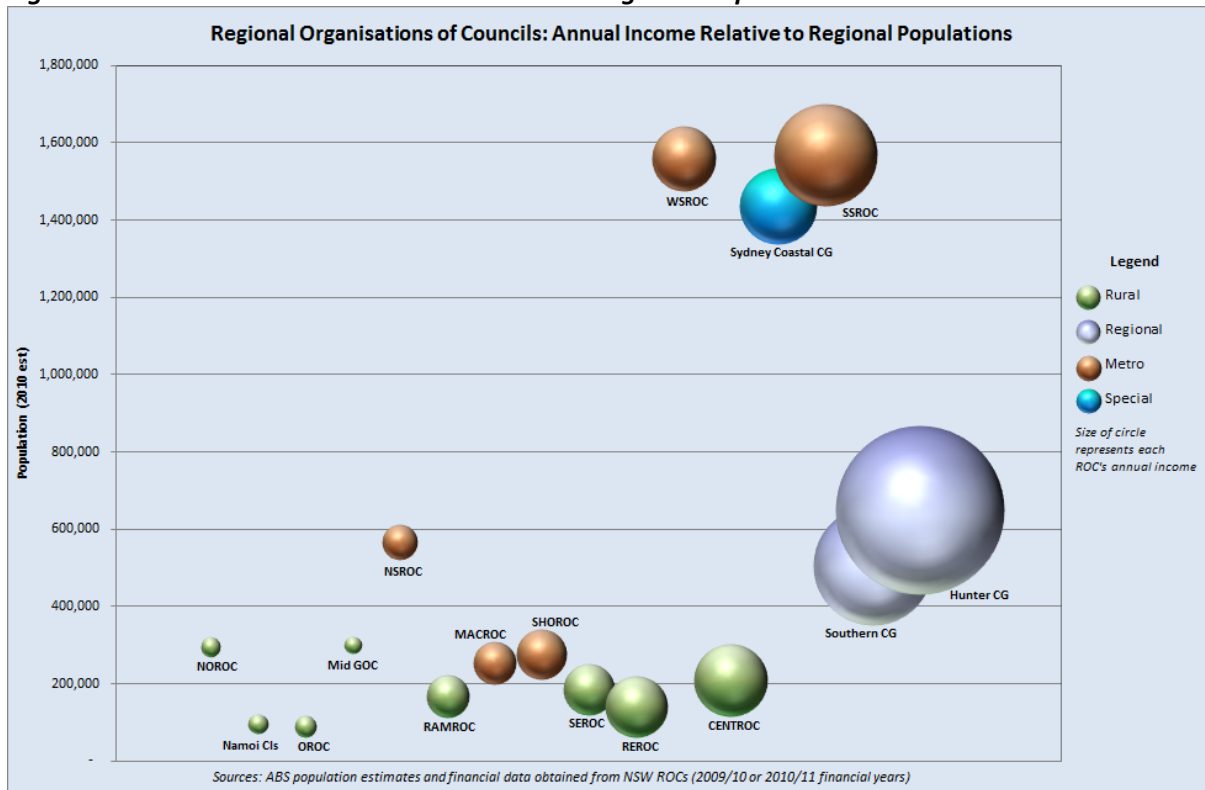


Five ROCs have annual incomes under \$200,000. Apart from CCROC, which comprises only two members and has no income, all these ROCs are rural. At the other end of the scale, three ROCs have annual budgets ranging from \$2.5 million to nearly eight million - SSROC, Southern Councils Group and Hunter Councils Group respectively. Apart from these extremes there is a mix of rural and metro councils in all the other bands.

Figure 5 explores the relationship between ROC population size (as shown by the vertical axis) and annual income (as shown by the size of each bubble). This graph excludes CCROC which does not receive an income.

Generally speaking the larger ROCs in terms of population are better-resourced than smaller ones, but there are significant exceptions. Again, the Hunter Councils and Southern Councils Groups have very large incomes relative to their populations, while the three smallest metropolitan ROCs and in particular NSROC have lower incomes than some rural ROCs which are smaller in population.

Figure 5: NSW ROCs: Annual Income Relative to Regional Populations



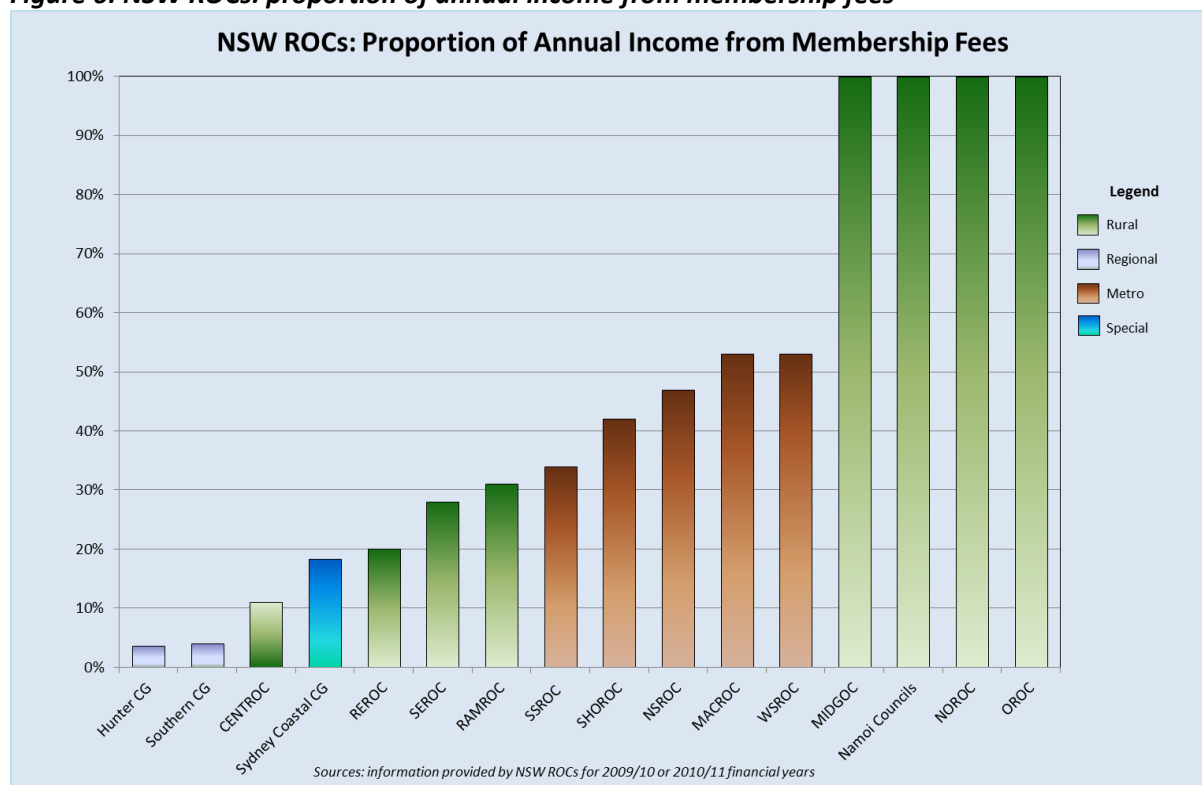
Main Income Sources

Annual membership fees were, overall, the largest and most consistently reported income source, though ROCs use a variety of methods to calculate these. Some use a flat fee while others have a sliding scale which involves flat and variable components, the latter related to population or council budget size.

Some ROCs also have discounted membership fees for associate members, for councils which are members of another ROC or for non-council members. For these reasons it is not appropriate to try to average or directly compare average membership fees per council, though these appear to range from less than \$10,000 to over \$70,000.

The overall proportion of income each ROC raises by total membership fees is somewhat more directly comparable, even though this can vary from year to year (figure 6). There is a considerable range, with membership fees making up from less than 5% to 100% of a ROC's income. The ROCs with the lowest proportions are Hunter Councils Group, Southern Councils Group, CENTROC, Sydney Coastal Councils, SEROC and REROC (CCROC has not been considered because it does not have an income).

Figure 6: NSW ROCs: proportion of annual income from membership fees



Note: incomes based on 2009/10 or 2010/11 financial reports and/or other data (CCROC not shown as it has no income)

Source: information provided by ROCs

Hunter Councils has taken a distinctly different approach to all other ROCs; while like other organisations it has been successful in attracting grant income, it has also been able to use its significant commercial operations to offset and reduce membership fees.

Southern Councils Group also has a commercial income stream, but the bulk of its income has come from government grants totalling over \$2.5 million. CENTROC, REROC, SEROC and Sydney Coastal Councils also derive significant income from grants. CENTROC has also attracted substantial income from member councils for one-off projects.

At the other end of the scale, the four ROCs which derive all of their income from membership fees are all rural ROCs with comparatively small budgets and low staff numbers; in several cases they have only recently employed staff and started development of their work programs. It is likely that over time the proportion of their income derived from other sources will increase.

SSROC derives around a third of its income from memberships, with the balance coming from fee-for-service payments and procurement rebates. The remaining metropolitan ROCs receive around half of their income from membership fees, somewhat higher than the established rural and regional ROCs. The balance has come from either grants (for example, WSROC) or one-off contributions from members (SHOROC).

There are several possible reasons for these differences. Metropolitan ROCs are composed mainly of large councils in terms of population and income compared to rural councils; this means that traditionally they have been in a position to provide a higher level of resourcing to their ROCs. Metropolitan ROCs have also tended historically to prioritise activity areas such as regional

advocacy, planning and economic development, all issues which are less likely to attract grants, especially for continuing projects.

On the other hand, rural ROCs have member councils with smaller populations and resources, especially in remote and more isolated areas. As a result these ROCs tend to have lower levels of membership income, which may encourage them to be more proactive in seeking funding from other sources. It has also been suggested that governments have historically provided more funding to support natural resource management and to counter social disadvantage in rural areas.

After membership fees the next highest income source reported by ROCs in the period surveyed was grant funding for regional projects, which made up about 25% of total ROC income. About half of NSW ROCs received grants from ranging from \$10,000 to over \$2.5 million. One-off contributions from members for specific projects are utilised by eight ROCs and provided around 13% of total ROC income, though again there was a wide range in the amounts involved, from \$30,000 to over \$1.5 million. Sources such as interest on investments provided the balance of income.

It is important to note that because of the project-specific nature of grant and one-off membership contributions, the contribution from these sources can vary greatly from year to year. By contrast, annual membership fee income is both more consistent over time and also between ROCs. Ten ROCs each received between \$150,000 and \$300,000 annually in fees, despite the considerable range discussed earlier in overall income, membership fees per council and other variables such as population or number of members. This probably reflects the role that annual membership fees play in supporting the core of the ROC staffing levels discussed earlier.

3.2.3 Activities

Approaches to Categorisation

As noted earlier, there are many ways to describe the activities of Regional Organisations of Councils. These have ranged from the broadly generic, such as the three headings nominated by Marshall *et al.* (2003) of 'regional advocacy, political lobbying and fostering cooperation between councils' to more specific lists such as that prepared by Gibbs *et al.* in 2002 which listed a range of regional facilitation and management activities. While these examples capture the range of ROC activities they do not necessarily provide a consistent basis for categorising them. For example, Marshall's groupings of regional advocacy and political lobbying would seem to overlap with each other.

The recent DLG survey has attempted to address these problems by proposing four categories:

- Advocacy;
- Regional strategic planning;
- Service provision (either to the public or to member councils);
- Information sharing and problem solving (p. 17).

While this approach is an improvement it still does not provide a sufficiently clear distinction between the different spheres of the operational areas of ROCs. For example, there are likely to be strong links between advocacy and regional strategic planning. Information and problem solving as described by DLG would also seem to be a form of service provision to member councils.

This report therefore uses a revised approach to more clearly delineate the primary targets of ROC activities, as follows:

- **Shared services.** Similar to the DLG service provision category, this incorporates all the services provided by ROCs for and on behalf of member councils, including:
 - Internal services: ‘back of house’ services for member councils including training, HR, IT, payroll management, assets management, landfill operations, etc. This sub-category also includes information sharing, professional development, benchmarking and best practice processes as well as advocacy around local government rather than regional issues;
 - External services: these are the ‘front of house’ services which councils would normally provide to their communities, including waste collection, resource recovery and recycling, library or community services, tourism centres, etc.;
 - Joint procurement: this sub-category includes all aspects of joint tendering and procurement.

- **Regional capacity.** This category contains all activities undertaken by the ROC for and on behalf of the region the ROC covers rather than its member councils. For many ROCs, engagement in regional capacity building has involved a continuum between all aspects of regional engagement. These sub-categories include:
 - Research and advocacy: this involves all aspects of ROC research around regional issues (environmental, economic, social etc.). Research often underpins the other aspects of regional activity, starting with advocacy which includes all forms of lobbying as well as participating in consultation processes on regional issues;
 - Planning and management: this includes the development of strategic plans in relation to regional issues and their implementation and management. These are distinct from the regional planning and delivery of ‘traditional’ council services;
 - Cooperation and collaboration with Federal and State Government: Increasingly, ROCs are requested to deliver services for other levels of government or to participate in government-initiated planning or regional development initiatives.

- **Commercial services.** A small but increasing number of ROCs provide services on a commercial basis to the wider community or even to councils or businesses outside the region. These services can be undertaken to provide an income stream for the organisation or alternatively to provide an otherwise non-viable facility for local communities which would otherwise be provided by the commercial sector.

Activities Summary

Table 6 summarises the levels of activity across the areas outlined above. This demonstrates a high degree of participation by all ROCs in each of the broad categories of shared service provision and regional capacity building. Only four ROCs indicated any involvement in commercial services. It is at the next level of groupings within the major categories that a wider variation can be seen and these are discussed in more detail below.

Table 6: NSW ROC Activity Engagement by Category and Sub-Category

ROC	Shared Services	Internal	External	Joint Proc.	Regional Capacity	Advocacy	Planning	Collab.	Com'cial
Central Coast	Yes	Yes	Yes		Yes	Yes	Yes		
CENTROC	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hunter CG	Yes	Yes		Yes	Yes	Yes	Yes		Yes
MACROC	Yes	Yes	Yes		Yes	Yes	Yes	Yes	
MIDGOC	Yes	Yes	Yes		Yes	Yes			
Namoi Councils	Yes	Yes	Yes		Yes	Yes	Yes		
NOROC	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
NSROC	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
OROC	Yes	Yes	Yes	Yes	Yes	Yes		Yes	
RAMROC	Yes	Yes	Yes		Yes	Yes			
REROC	Yes	Yes		Yes	Yes	Yes	Yes	Yes	
SEROC	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
SHOROC	Yes	Yes	yes	Yes	Yes	Yes	Yes	Yes	
Southern CG	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SSROC	Yes	Yes	Yes	Yes	Yes	Yes			Yes
Sydney Coastal CG	Yes	Yes			Yes	Yes	Yes	Yes	
WSROC	Yes	Yes		Yes	Yes	Yes	Yes		
Total/ Average	17	17	13	11	17	17	13	7	4

Source: information provided by ROCs

Shared Services

Almost all ROCs have engagement at some level in the provision of shared services for member councils. The list of regional projects is extensive and as expected mirrors that identified by the DLG survey (though there are some differences in the categorisation of these activities).

Internal Services

All ROCs are involved in some level in the support of internal services, even if that is just providing a framework for professional officers to meet and exchange information. The majority of ROCs however provide a wider range of internal services, including:

- Information exchange and professional development;
- Staff training and responding to skills shortages;
- Shared/temporary staff;
- Aspects of HR management;
- OHS and risk management;
- Records management;
- Benchmarking of council service delivery;
- Policy development;
- Internal audit;
- Standardised document development;
- Regional funding applications;
- Compliance cost saving;
- GIS/mapping projects;

- Development of specialist manuals for council staff;
- Scoping studies of potential shared services projects;
- Assessment of climate change impacts;
- Lobbying on specifically local government rather than regional issues, for example, local government reform, cost shifting, financial sustainability, constitutional recognition or retaining council control of water and sewerage in regional areas.

External Services

Thirteen ROCs are involved in one or more example of a shared activity involving delivery of council services to the wider community. The range includes:

- Public campaigns around waste minimisation and litter reduction;
- Land management services;
- Weeds and stormwater management;
- Waste collection and disposal;
- Composting;
- Tourism;
- Community services;
- Street lighting improvement;
- Weight of loads;
- Road information website.

Joint Procurement

This area of shared services activity is undergoing expansion, with a number of ROCs indicating that they were looking to increase their involvement in regional purchasing activities. Eleven ROCs participate in some form of joint purchase, including:

- Line marking and road signage;
- General signage;
- General hardware;
- Asphalt, bitumen and other road laying materials and services;
- Electricity;
- Street lighting;
- Small plant;
- Vehicles, tyres and fuel;
- Bulk chemicals and insecticides;
- Banking services and Insurance;
- Scrap metal and waste oil collection;
- Work clothing;
- GIS and planning software;
- IT;
- GPS equipment;
- CCTV;
- Ready-mix concrete;
- Stationery and office products;
- Hygiene services;
- Library materials and RFID;
- Traffic control;
- Management systems (e.g. carbon management, tendering).

In addition the provision of the internal and external services mentioned earlier will often involve a joint tendering and contract process, as will some of the areas of regional capacity development to be discussed in the next section.

Obviously each ROC is engaged in only a selection of these activities, with the most common areas of involvement being asphalt and associated products and services, signage, hygiene services, general hardware and stationery and office supplies. Many ROCs are seeking to expand into other aspects of the 'menu' of activities outlined above as well as into less common areas such as aerial photography, regional software platforms, small plant hire or even, in the case of one rural ROC, a regional radar and weather station.

Regional procurement and the provision of shared services generally by ROCs need further research. Partly because of the complexity involved in calculating a return to councils, the different approaches used to handling discounts and rebates and the fact that some aspects of these arrangements are commercial-in-confidence, information was not sought regarding the total cost savings or net benefits.

These are likely to be significant, however; one ROC alone estimated the total value of the regional procurements projects it helped to manage to be around \$40 million annually. It is therefore likely that the total value of NSW ROC procurement contracts is likely to be in the order of hundreds of millions of dollars, and the resulting savings to councils to be tens of millions annually.

There is also a range of less tangible but still significant benefits, even in relation to some of the smaller regional procurement projects. A regional approach brings shared expertise, especially when the tendering process for a particular product or service involves a degree of complexity or specialist knowledge. Regional tenders can also result in the provision of more consistent and higher-quality products and services to councils and communities across the region. These outcomes demonstrate that economies of scope as well as scale are significant even in relation to joint procurement.

Regional Capacity

Despite the expansion of their involvement in shared services, the regional capacity components and in particular regional advocacy remain the 'bread and butter' for most ROCs.

Concerns regarding common issues affecting the region rather than their own service delivery was the impetus behind the formation of most ROCs - and all ROCs, even those ROCs which now prioritise shared services, still retain some involvement at least in regional advocacy and often in some of the other aspects of regional capacity development.

The members of these ROCs still seem to look to their ROCs to lobby on issues of regional significance. In addition the emergence of other regional bodies and the renewed interest of other levels of government in regional service delivery particularly in relation to environmental management have resulted in the development of more collaborative approaches involving ROCs.

Research and advocacy

As indicated earlier all ROCs are involved in some form of regional research and advocacy around regional rather than 'traditional' local government service issues. These activities cover the full range of research, lobbying and advocacy, including:

- Identification and prioritisation of key regional issues;
- Research related to these issues, either in-house or contracted out to consultants, universities or other institutions;

- Correspondence with government departments, ministers, politicians and other stakeholders on regional issues;
- Preparation of submissions on regional issues to government or in response to public inquiries and the development of common regional information for councils to use in their submissions;
- Participation in interagency meetings, consultations, focus groups and other activities conducted by government agencies;
- Media releases and interviews and in some cases the development of communications strategies;
- Meetings with and delegations to ministers and shadow ministers;
- Appearances before parliamentary and other public inquiries;
- Regional summits, forums and conferences;
- Preparation of issues papers and candidate questionnaires, meetings with candidates and party leaders and other strategies in the run-up to state or federal elections;
- Development of regional demographic and economic information profiles.

All ROCs, even those that clearly prioritise shared services, have at least identified issues of regional concern and written on occasion to MPs or the relevant ministers and shadow ministers. Most ROCs have undertaken some of the more complex advocacy tasks and several, in particular some of the metropolitan ROCs, have been involved in a large proportion of these activities at some point in their operations.

Engagement in these activities also varies over time with the emergence of major regional issues - for example, the management of water flows in the Murray-Darling Basin - or key events, such as the calling of government inquiries or the commencement of election campaigns.

The range of advocacy issues identified by ROCs is very extensive and includes:

- Development of key roads corridors;
- Public transport infrastructure and services;
- High speed rail;
- Freight infrastructure;
- Environmental protection and sustainability;
- The NBN roll-out and telecommunications infrastructure;
- Health and hospital services;
- Water infrastructure and catchment management;
- Food production and agriculture issues;
- Education and skills shortages;
- Coastal and estuarine management;
- Economic development and employment issues;
- NSW State Plan;
- The metropolitan strategy and regional plans;
- Social issues and community services provision.

To some extent the issues in which ROCs participate also vary with location. Obviously rural ROCs will be more engaged in issues relating to food production and agriculture (though some regional and outer metropolitan ROCs are also interested in these issues), while for urban and regional ROCs metropolitan planning is likely to be more significant. However a surprising number of issues have been identified by ROCs across the state.

Planning and Management

For some ROCs the development of regional plans is the next logical step in the regional capacity process. Thirteen ROCs have initiated some form of regional planning and management exercise. These activities have been funded from core funding, through additional one-off contributions from member councils or by grants - or by a combination of these sources.

In most cases the issues involved are informed by each ROC's research and advocacy activities and so relate to the list outlined above. Within these parameters the range of activities is quite diverse:

- Environmental sustainability and management strategies;
- Catchment management plans;
- Environmental awareness and community engagement programs;
- Coastal and estuarine management projects;
- Economic development strategies;
- Regional landuse and transport plans and strategies;
- 'Health of the region' indicators;
- Regional promotion strategies;
- Film production facilitation strategies;
- Small business development programs;
- Regional tourism and visitor services strategies;
- Agriculture development and protection strategies;
- Regional cultural plans;
- Specialist education programs;
- Health and exercise promotion.

This list includes a mixture of plans and strategies which guide the actions of the ROC, member councils and in some cases other stakeholders as well as activity programs and specific projects. The plans and strategies also provide input to the development of the ROC's own strategic and management plans and help prioritise further activities. Specifically they also often provide a basis for the organisation's ongoing advocacy and research.

Sometimes these plans are developed in conjunction with the relevant government departments and agencies and with government funding; in some cases the strategies have been developed because of a perception by the ROC that there has been a lack of appropriate planning by state or federal governments.

Cooperation and Collaboration with Federal and State Government

Increasingly government departments and agencies particularly at the state level are turning to ROCs to assist them in delivering services. These initiatives can take several forms, the most common being ROC involvement in State and/or Federal forums, steering committees, reference groups and Boards which deliver government services. Seven ROCs indicated that they were involved in these activities. Examples include:

- Involvement with Federal and State Government Regional Development Australia (RDA) regional committees which are responsible for regional economic development strategies;
- Participation in government transport corridor (road or public transport) studies;
- Membership of agriculture, environmental and catchment reference groups.

A number of ROCs also have formal MoUs with government agencies or regular liaison with regional directors or their counterparts from government departments. Sydney Coastal Councils Group also

has a number of partnership agreements and MoUs with universities relating to coastal and estuarine research and management.

From time to time ROCs have entered into agreements to auspice the delivery of services by a government department. These arrangements usually involve the ROC receiving funding to employ specialist staff to implement a program which is initiated and designed by the government agency with little or no input by the ROC, though obviously these agreements are only entered into where the program aims are consistent with those of the hosting agency. Only a few such arrangements were identified by ROCs, including provision of a brokerage service for a fully-funded carer program.

The distinction between these forms of regional cooperation and collaboration and the grant-funded activities grouped under planning and management is admittedly a fine one. However it is important to try to distinguish between those activities which are initiated by the ROC, often through its regional research and advocacy work, and those which while they have resulted from this advocacy are initiated and controlled by government.

Commercial Services

As indicated earlier, commercial services are those that provide an income stream for the organisation or alternatively to provide an otherwise non-viable facility for local communities which would normally be provided by the commercial sector. In relation to the former, the services involved are often initially provided by the ROC to its members and then extended on a commercial basis to councils outside the region and/or to agencies, businesses and other consumers outside local government.

Only four ROCs indicated that they are involved in commercial services. By far the most active is Hunter Councils. The Hunter Councils 'story' is discussed in detail in Aulich (*et al.* 2011). It is sufficient to note the range of activities the organisation is involved which includes environment services, training, procurement, records storage, consultancy services and Screen Hunter Central Coast. The organisation is also investigating a regional data management facility. These commercial services have contributed to the organisation's total income of around \$8 million annually.

The other three ROCs actively engaged in commercial services are CENTROC, SSROC and Southern Councils Group. These activities include:

- Fee for service from non-member councils for involvement in regional procurement contracts;
- Training services;
- Weeds management;
- Services to SMEs for water, waste and energy efficiency.

Some of the ROCs not currently involved in commercial operations are investigating strategies for limited involvement in these areas, for example by expanding services such as regional procurement to neighbouring councils.

Summary

While it is appropriate to highlight the role of shared services and to redress the tendency in some past assessments to neglect their significance, the significance of the expansion of shared services activities by some ROCs can be overstated. The outcomes of this audit do not support suggestions that advocacy is declining in importance or that the balance has shifted decisively to shared service provision.

This perspective was reinforced by the responses to the additional questions asked of ROC CEOs regarding the balance of activity and effort in their organisations between the broader categories. While on average the CEOs nominated shared services and commercial activities (which several ROCs combined) as receiving a slightly higher percentage than regional capacity activities, the difference was relatively small. No organisation had more than a 75:25 split either way and several regarded their efforts as being divided roughly 50:50.

While these estimates are subjective and should be treated with some caution, they suggest that regional capacity remains a key area of engagement for ROCs. On the other hand, advocacy by the ROCs around specifically local government matters is relatively minor and it may be that this area of lobbying is being left to an increasing degree to the LGA&SA.

3.2.4 Organisation Planning and Review

Fifteen ROCs provided information indicating that they had all undertaken some form of strategic planning within the past two years. In the main these planning processes concentrated on reviewing the strategic directions and priorities for each ROC rather than the structure of the organisation.

Activities

In the main the changes identified generally represented a consolidation and expansion (or in some cases a reduction) of each ROC's current activities, rather than a radical change. Four ROCs sought to increase their involvement in shared services, while two sought to increase involvement in regional capacity activities and four planned to increase involvement in both.

The emphasis on shared services that these responses represent should not be overstated. Those ROCs that focused on increasing their involvement in this area did not necessarily see it as an 'either/or' proposition but rather an expansion; for example, a number were looking at how these activities could be self-funded or even subsidise the organisation's other activities.

Some of the changed priorities identified in these strategic planning processes included:

Shared services:

- Improving communications with member councils and other stakeholders;
- Expansion of resource sharing and joint procurement activities;
- Development of cost saving and efficiency programs for member councils;
- Exploration of the provision of shared operational services;
- Development shared policies and joint initiatives to recruit staff and provide professional development.

Regional Capacity:

- Seeking additional resources for the region, including grant funding;
- Expansion of current advocacy and lobbying activities (for example, establishing the ROC as the 'voice of the region');
- Development of additional activities identified in regional strategic plans;
- Adoption of additional regional issues as a focus for regional advocacy and planning;
- Expansion of the auspicing and coordination of regional community services and projects.

Commercial Services:

- Development of new income streams;
- Expansion of fee for service provision to other councils and agencies;
- Expansion of joint purchase arrangements to other councils.

Organisation Structure

Only five ROCs identified structural changes that had been implemented or were being implemented as a result of recent organisation reviews. The changes being made or considered included:

- Streamlining or restructuring the organisation's executive structure;
- Considering establishment as an incorporated association;
- Establishment of a new, separate company to offer services to councils and government agencies;
- Employment of the organisation's first executive officer.

NSROC also indicated that it was considering structural changes in response to modernisation trends and to maximise shared service and regional collaboration responsibilities.

3.3 Conclusion

3.3.1 Implications of the Proposals to Increase Regional Cooperation

The *Destination 2036* outcomes are clearly significant for NSW ROCs. Not only are regional organisations themselves mentioned throughout the outcomes report and the list of suggested actions, but more generally regions have been identified as a key framework for state and federal government service delivery. There is also little doubt that ROCs were seen by many *Destination 2036* participants as the key player in most of the actions with a regional component, a view no doubt reinforced by the findings of the DLG survey discussed earlier.

Broadly speaking the suggested actions relevant to ROCs fall into three categories:

- *Structural changes to enhance the delivery of shared services:* for example, allowing ROCs to incorporate, removing legal and other barriers to shared services, resources and even a regional workforce;
- *Regional strategic planning and delivery of government services:* for example, aligning regional boundaries and integrating strategic planning processes across all levels of government including regionally, setting up processes for regular consultation between government agencies and ROCs;
- *Other proposals with clear implications for ROCs:* for example, making it easier for local government to set up corporate entities and for councils to provide services to each other, developing local government models with regional service delivery options.

These outcomes clearly present ROCs with an opportunity to become more 'strategic' and to increase the benefits of regional cooperation in terms of economies of scale and scope. If as *Destination 2036* and the earlier DLG survey suggest there is a groundswell of support by councils for ROCs as the primary vehicle for regional collaboration, this has been matched by the apparent willingness of the state government to also embrace ROCs as a basis not only for achieving greater efficiency in local government but also for consultation and even for the delivery of some of its own services.

This is potentially an important issue for many ROCs. There is a perception that the previous government had little desire to engage with ROCs in the strategic planning process, despite (or even because of) their expertise in regional advocacy and capacity building and despite the obvious problems involved in trying to work directly at a strategic level with over 150 councils. The act of including ROCs in the *Destination 2036* process was itself symbolic of a significant policy shift in attitudes towards regional organisations.

On the other hand, the apparent new-found enthusiasm of both local and state governments for regional cooperation in general and for ROCs in particular also brings a set of challenges. One of the more obvious is the issue of resourcing.

Most ROCs are comparatively small organisations with limited capacity which would need significant budget support to expand their operations. Ironically, while *Destination 2036* suggested a number of actions to boost council finances it was comparatively silent on the issue of regional funding mechanisms. Even if funding is available, the process of expanding to increase the range of services envisaged in the *Destination 2036* outcomes would be particularly challenging for smaller ROCs.

Another challenge is the potential for ROCs to be 'co-opted' by the state government as the delivery agent for state services. There is no suggestion that this is a conscious aim, but it could occur over time. ROCs already act on occasion as the auspice for the provision of specific state government projects and services; these arrangements seem to work best when there is the relationship is carefully specified and there is an understanding that it will not affect the ability of the ROC to continue operations in other areas such as advocacy.

Expanding these relationships to cover wider areas of government activity could be problematic. There is a risk that this process could be perceived as 'diluting' the primacy of ROCs as local government bodies - or, alternatively, as becoming a de-facto form of regional governance.

However, it is acknowledged that it is too early to predict how *Destination 2036* will affect ROCs, a point that was pointed out by the majority of ROC CEOs who responded anonymously to the additional questions. Most CEOs also believe that at this stage the changes their organisations will make only minor changes and incremental increases in the level of their activities.

3.3.2 Proposed Typology of ROCs and Activities

One of the aims of the audit process, apart from surveying the current status of ROCs, was to develop a typology to describe the structure of ROCs and their activities.

This study has examined ROCs on terms of a range of variables relating to their structure, business models and activities, identifying sets of categories to describe each of these. However this exercise has been complicated by a number of factors, the most important of which is the different approaches that ROCs take to describing themselves and classifying their own data.

For example, the fact that NSW ROCs have four different approaches to incorporation (unincorporated, incorporated, company or Section 355 committee) and several different sources of funding (membership, grant, project-specific member contributions and joint purchase rebates, for example) which may or may not be consolidated into a single set of accounts means that it is very hard to compare 'apples with apples' when it comes to assessing financial models.

The variability of this data also reflects some of the fundamental differences between NSW ROCs. While there is consistency in some aspects (for example, the models of board and organisation hierarchies are generally similar), there is much greater variation in most of their other features - with relatively little correlation between these characteristics.

Despite these difficulties it has been possible to develop a more consistent framework for describing ROC activities, one that will hopefully be useful as a basis for further research. This framework has also demonstrated the continuing importance of ROC activities in areas beyond shared services such as regional advocacy.

The most important variables for regional organisations remain their own priority setting processes, the level of resources provided by their member councils and the level of funding they can attract from other sources. These in turn reflect the nature of the regions each ROC represents and the relative size and wealth of its member councils. Therefore ROCs whose members comprise small rural councils especially in remote areas are themselves small and modestly-resourced organisations, while ROCs in the metropolitan area and major regional centres tend to be better resourced - though there are also exceptions to this rule.

While unsurprising, the range in organisation size and capacity has major implications for any proposals to greatly expand the level and range of activities undertaken by NSW ROCs. Additional resources would be required to expand the capacity of ROCs, especially the smaller organisations, along with a reassessment of their organisation structure.

4. Audit of Western Australian Regional Organisations

4.1 Overview

This section considers the outcomes of the audit of Western Australian Regional Organisations of Councils. It has been informed by the following source material and processes:

- Department of Local Government publications and presentations, including material available on the Department's website;
- Material on the Perth Metropolitan Local Government Review website;
- Publications of the Western Australian Local Government Association (WALGA). These include the *Western Australian Local Government Directory 2011* and material on the WALGA website;
- Publications obtained from VROCs. It should be noted that the range of material available from the VROCs themselves is far more limited than was the case with the NSW ROCs;
- A survey of Western Australian VROC executive officers or other contact staff. This was a considerably simplified version of the NSW ROC survey but unfortunately received a relatively limited number of responses;
- Interviews with a small number of VROC executive officers as well as the CEOs of two Regional Local Governments;
- Interviews with other stakeholders including representatives of the DLG and WALGA;
- A range of other sources, including Australian Bureau of Statistics data.

As with the NSW ROC section, the purpose of the audit was not to evaluate or rate the performance of VROCs in any way, but rather to attempt to document their structures, financial models and activities, as well as the relationships between these elements.

One important difference between the NSW and Western Australian audit processes is that the amount of information available from the ROCs themselves is far more limited in Western Australia. This reflects differences in the ROCs themselves; on average, Western Australia VROCs tend to have fewer and smaller member councils and consequently are far more modestly resourced than their NSW counterparts.

As a consequence the majority have no dedicated staff and are therefore less able to provide the data that was requested. Only half of the ROCs provided material either through the survey or in the interviews referred to earlier, so much greater use has been made of secondary sources. Even this material is relatively limited (for example, very few VROCs have a website or produce annual reports) so the Western Australian audit is not nearly as detailed as the NSW section.

Another factor that may have impacted on the audit process is the implementation of the government’s amalgamation and other local government reform strategies. The impact of these will be discussed later but it is understood that some ROCs may be scaling back or even suspending their operations.

4.2 Comparison of VROCs

Table 7 provides a snapshot of the key attributes of the 16 VROCs in 2010. Approximately 80 councils or fewer than 58% of Western Australia’s 139 councils are members of the state’s 16 VROCs, a much lower proportion than in NSW (only two councils are members of more than one ROC). Around 35% of the state’s population and 43% of its land area are covered by ROCs – again, much lower than the comparable figures in NSW.

Table 7: Western Australian ROCs Summary

Regional Organisation of Councils (ROCs)*	Council Membership**	Population (2010 est.)**	Area km ²
Rural			
4WD (Wagin, Woodanilling, Williams, West Arthur, Dumbleyung)	5	4,897	10,757
Avon Regional Organisation of Councils (AROC)	6	23,235	10,601
Batavia Regional Organisation of Councils (BROC)	4	46,799	28,904
Bunbury Wellington Group of Councils	6	100,212	6,150
Cape Regional Organisation of Councils (CapeROC)	2	44,276	3,578
Central Midlands Voluntary Regional Organisation of Councils (CMVROC)	4	6,347	16,924
Dryandra Regional Organisation of Councils (DROC)	6	8,998	8,064
Goldfields Voluntary Regional Organisation of Councils (GVROC)	10	59,816	952,427
North Eastern Wheatbelt Regional Organisation of Councils (NEWROC)	6	2,826	20,883
Rainbow Coast Regional Council	3	42,566	9,449
Roe Regional Organisation of Councils (ROEROC)	4	4,048	18,665
South East Avon Voluntary Regional Organisation of Councils (SEAVROC)	5	8,778	9,990
Southern Link Voluntary Regional Organisation of Councils (SLVROC)	4	9,709	13,697
Wheatbelt East Regional Organisation of Councils (WEROC)	5	7,532	41,662
Rural Total	70	370,039	1,151,752
Metro			
South West Group (SWG)	6	363,066	620
Western Suburbs Regional Organisation of Councils (WESROC)	6	70,672	41
Metro Total	12	433,738	662
Total*	82	803,777	1,152,413

Note * Number and composition of ROCs in 2010

** Totals include councils that are members of more than one ROC.

Sources: ROC information, Western Australian DLG, WALGA and ABS data

4.2.1 Structure

Type and Composition

Table 7 also illustrates the divide between metropolitan and rural ROCs in Western Australia. Only 40% of metropolitan councils covering less than 26% of the urban population belong to one of the only two metropolitan ROCs. Of this pair, South West Group is much larger in population; with over 360,000 people it is the largest ROC in the state by a considerable margin.

In rural areas the proportions are a little higher overall. Around 62% of the population live in a council that belongs to one of the 14 rural ROCs.

Western Australian ROCs have between two and ten members and lower average membership numbers than their NSW counterparts. This and the much smaller populations of Western Australian councils compared to those in NSW mean that the VROCs are also much smaller in population terms.

With the exception of the rural Bunbury-Wellington Group of Councils and the metropolitan-based South West Group, all Western Australian ROCs have total populations under 100,000 and are smaller than the two smallest NSW ROCs. Eight VROCs have populations less than 10,000 each and the average size of a VROC in population terms of just over 50,000 is less than 10% of the NSW average.

On the other hand it might be assumed that West Australian ROCs are much larger than their NSW counterparts. While it is true that at just over 72,000 square kilometres the average size of Western Australian ROC is double the NSW average, this is skewed greatly by the vast size of GVROC (952,427 square kilometres). Without GVROC, the average size of Western Australian ROCs would be only a little over a third that of NSW ROCs.

Governance

Legal Structure

All the Western Australian ROCs that responded indicated that they have no form of legal incorporation, with most relying on a memorandum of understanding (MoU) to guide their activities. Typically these will identify the ROC's purpose and objectives, how members are appointed, election of office bearers and where relevant arrangements for funding contributions and the appointment of an executive officer. A small number of ROCs indicated that they had only an informal agreement. Douglas sums up the nature of many of the VROC MoUs:

In addition to [the purpose and objectives], the MOU has an eclectic mix of broadly expressed 'General Principles' and some details of specific matters such as the appointment and membership of the 'committee' (of SEAVROC) and its decision making process, the financial contributions of each party and detailed provisions relating to projects that may be proposed and undertaken by SEAVROC ... However the MOU is largely silent on the proposed functions and activities that SEAVROC would undertake (Douglas 2009, p. 6).

Some VROCs attempt to overcome the limited nature of their organisations by working in collaboration with other more formal structures such as incorporated associations, thus using these as a vehicle for their activities. For example, the South West Group in Perth works with the South West Corridor Development Foundation (SWCDeF) which is an incorporated association. SWCDeF acts as a project facilitation entity and a coordinating body bringing together stakeholders from outside local government (SWG 2011).

Management Structure and Board Composition

Despite their informal status, Western Australian ROCs show a high degree of consistency in their management arrangements. Almost all ROCs have a board (though it may not be identified as such) comprising the Mayors or Presidents and the CEOs of the participating councils. There are relatively few office bearers; in most ROCs these appear to be a Chair and Deputy Chair. In some ROCs the regular meetings of the board alternate with meetings of a CEO-only group.

A number of VROCs have working groups or committees of professional officers and this is where they seem to be most active. This reflects their limited resources and informal status, with the VROC providing a vehicle for coordinated action between small groups of neighbouring councils.

Staffing

The majority of Western Australian ROCs have no dedicated staff, relying on instead on the resources of their member councils. Those that do have some level of dedicated resources often contract individuals or firms to provide executive support services on a part-time consultancy basis. Only a small number have a dedicated full-time position, usually employed through a member council.

4.2.2 Business Models

The majority of VROCs appear to have no income base. This does not mean that no funds are expended on their behalf; as one response noted, member councils will often provide additional funds on a project-by-project basis, with these projects being auspiced through a member council. South West Council Group, the only VROC to publish detailed and accessible information on its finances, has an annual income of \$351,000 (2010/11) which is likely to make it Western Australia's best-resourced ROC.

4.2.3 Activities

This section uses the same broad typology of activities used earlier to classify the activities of the NSW ROCs. While the discussion has drawn on the responses from VROCs, this has had to be supplemented because of the issues discussed earlier with information from the *Western Australian Local Government Directory 2011* (WALGA 2011) and other material from WALGA.

As a result that the activities are likely that have occurred over a longer period than is the case for the NSW ROCs, with whom it was easier to establish a 'snapshot' of current activities. In addition the South West Group as the largest VROC and to a lesser extent the other VROCs with contracted executive support tend to have more comprehensive involvement in some of the categories of activities listed below than those ROCs that rely completely on council staff. In other words, there is less 'density' of involvement by individual VROCs in these activities than there would be for their NSW counterparts, which are able to support them with their own staff resources.

Shared Services

Internal Services

Most of the ROCs appear to have some involvement in shared internal services, though for many this involvement is limited. Identified projects include:

- Land use planning;
- Environmental and natural resource planning;
- Environmental health management;
- Waste management;
- Staff training;

- Disability awareness training;
- Resource and staff sharing;
- Councillor development;
- Centralised IT;
- Regional records archive;
- Regional staff housing;
- Common council document templates;
- Risk and emergency management;
- Asphaltting and road works;
- Sharing of plant;
- Development of a shared services charter;
- Lobbying on local government issues.

External Services

Involvement in external services is more limited than for NSW ROCs. Examples include:

- Waste disposal site management;
- Tourism signage;
- Community safety and crime prevention strategies;
- Disability access and inclusion plans;
- Graffiti removal;
- Regional library services;
- Regional recycling program.

Joint Procurement

Involvement in joint procurement also seems to be much more limited than in NSW ROCs, which in part probably reflects the fact that opportunities for legal incorporation are even more limited than in NSW. It may also be that engagement in this area of activity has been understated. Examples include:

- Investigating joint contracting of consulting engineering and planning services;
- Common software procurement;
- Road sealing.

Regional Capacity

Research and Advocacy

Perhaps surprisingly a large number of VROCs are involved in some form of regional advocacy. In most cases this was in the form of submissions and correspondence and meetings with local MPs and Ministers. Some VROCs in rural areas also act as a contact point for federal and state government agencies. The range of activities includes:

- Area promotion;
- Information exchange with government agencies;
- Lobbying over road safety;
- Submissions and delegations on infrastructure, transport and environmental issues;
- Advocacy over the NBN rollout;
- Demographic analysis.

Planning and Management

Again and despite limited resourcing a number of VROCs are also involved in regional planning and management activities. These include:

- Business and economic development planning;
- Integrated transport planning;
- Indigenous business planning;
- Workforce development;
- Provision of aged housing;
- Tourism facilities management;
- Environmental management and remediation;
- Industry cluster development;
- International bilateral trade agreement.

Cooperation and collaboration with Federal and State Government

Few VROCs indicated involvement in collaborative processes with other levels of government, reflecting both their limited resources and, possibly, the state government's attitude towards VROCs. Nominated projects included:

- ARC Linkage Grant participation;
- Assistance in the allocation of government funding grants;
- Medical centre provision.

Commercial Services

No VROC nominated involvement in the provision of commercial services. This is not surprising given the informal nature of these organisations and the limits on Western Australian councils forming corporations.

4.3 Other Regional Structures

4.3.1 Regional Local Governments

As indicated earlier, the Western Australian regional environment is more complex than in NSW. To a limited extent Regional Local Governments (RLGs), the equivalent of NSW county councils, fill some of the roles that ROCs do in NSW. Although the majority of RLGs are single-purpose bodies like their NSW counterparts, dealing with waste management, catchment management and similar issues, a number have wider roles.

For example, the Eastern Metropolitan Regional Council (EMRC) offers a range of services including waste management, environmental services and regional development to eastern half of Perth (EMRC 2011). As a local government body the EMRC is able to run a regional waste facility on a commercial basis and with the support of its member councils use some of the resulting income stream to support other regional services.

Although it does not have an income stream from waste facilities, the Pilbara Regional Council is able to use its local government status to provide support services for the dispersed councils and communities of the Pilbara. However the associated compliance requirements are a significant burden for smaller RLGs such as the Pilbara.

It should be noted that while they both incorporate 'Regional Council' in their names and the term is still widely used in Western Australia, these bodies are formally referred to as Regional Local

Governments in the current Western Australian *Local Government Act 1995*. To add to the potential for confusion, at least one VROC also incorporates the term regional council in its name.

4.3.2 Regional Transition Groups and Regional Collaborative Groups

The state government has introduced Regional Transition Groups (RTGs) as the key mechanism for councils considering amalgamations. The RTG is intended to 'facilitate the harmonisation of core functions and services across the participating local governments' into a single entity with a deadline of 2013 (WA DLG 2010c, p. 1). As such, an RTG will provide the structure for transitioning several local governments into a single entity by 2013. The main activity of an RTG is to develop a regional business plan to scope services and transition costs, though the business plan is also intended to ensure that community engagement and representation processes are fully incorporated in the processes of the new council.

The voluntary RTG process contrasts with the forced amalgamation processes used in Queensland and Victoria and has some similarities with the transition process used in South Australia. To reassure local communities, the Minister has indicated that consideration will be given to continue existing councillor representation from each of amalgamating councils for two full election cycles post-amalgamation.

While the RTG is a precursor to amalgamation, the alternative Regional Collaborative Group (RCG) are intended to provide a framework for much greater implementation of shared services, particularly in remote areas. Like the RTG the development of a regional business plan is the central activity of a RCG, but with a focus on regional collaboration. The government has claimed that the RCG option is 'less costly and has fewer compliance requirements' but in a clear signal that it does not believe that VROCs provide an effective model for shared services it has claimed that RCGs provide 'a more formal and substantive platform for regional collaboration than occurs under existing Voluntary Regional Organisation of Councils' (WA DLG 2010b, p. 2).

4.4 Conclusion

While the small size of Western Australian VROCs in terms of membership and average populations reflects the dispersed population of the state's rural areas, it is also a function of the nature of the state's local government sector. Even when they represent more than a handful of councils, it is difficult for regional organisations to establish economies of scale or make major improvements to strategic capacity when they have total populations of less than 10,000 people.

While the lack of any formal recognition or legal structure hampers the operation of VROCs, the South West Group provides an example of how an organisation with 'critical mass' can achieve more substantial outcomes. That said, the provision of a suitable legal framework such as WALGA's regional subsidiary proposal might provide some certainty for VROCs and allow them to expand operationally and in terms of membership.

However the state government has a clear desire to pursue new options by encouraging councils to participate in RTGs and RCGs. While both these alternatives have obvious implications for VROCs, it is far from clear that they will succeed or whether RCGs in particular will provide better outcomes than might have been achieved by resourcing the existing VROC structure.

4.4.1 Proposed Typology of ROCs and Activities

Broadly speaking it is much easier to describe most aspects of Western Australian VROCs than NSW ROCs. Essentially the former have only minor variations on a consistent and relatively simple organisation structure and financial model. Even those VROCs with staff are relatively straightforward.

At first glance the typology of activities proposed earlier to classify the operations of NSW ROCs seems to be applicable to VROCs as well. However, given the limited amount of information available about VROCs and their work programs, further research needs to be undertaken in this area, especially around the consistency of the definitions used within each of the broader work program areas.

5. Conclusions

5.1 Comparison of Audit Outcomes

There are obvious differences between ROCs in NSW and Western Australia. While NSW ROCs are relatively modest organisations they are considerably better resourced than their Western Australian counterparts. As a result they have evolved a wider range of structures and undertake a more diverse range of activities. All but two NSW ROCs employ staff, compared to a handful of Western Australian ROCs which enjoy executive support.

There are two key reasons for the differences between the two states in relation to ROCs. The first as described earlier is the small populations of some Western Australian councils compared with their NSW counterparts. In turn this has contributed to the creation of ROCs with much smaller populations compared to those in NSW.

The second is the extent to which the limitations on the ability of councils in Western Australia to form corporations have affected VROCs. While it can be argued that the restrictions on NSW councils have posed difficulties for ROCs in that state, the lack of options for legal incorporation has had a much greater impact on Western Australian VROCs in both practical and symbolic terms, with their informal status contributing to a rationale that VROCs will never be able to provide an effective alternative form of local government consolidation.

Despite these differences there are some common conclusions that can be drawn about ROCs in both states. The first is that, apart from the impact of the different approaches in the two states towards incorporation, there is little relationship between organisation structure and the range of activities a ROC undertakes. In NSW where ROCs have evolved several organisation structure options there is no correlation between structural form and the size or range of activities of the ROC. In Western Australia, the more uniform structure of ROCs has not prevented the development of a range of activities and different levels of service.

In both states the main 'success' factors for ROCs appear to be the size, number and comparative wealth of each organisation's council membership base and the level of support both financial and in-kind that these councils provide – not to mention, of course, the priorities they ask the ROC to undertake. While there are exceptions, a ROC with a number of moderately-sized, financially secure councils that are strongly supportive of their regional organisation and who provide adequate resources and a strong direction for its operations is more likely to achieve the critical mass required to achieve effective outcomes. This is not to say that a group of smaller and fewer councils cannot support a viable ROC, but this will require a proportionally greater level of support from each council.

In NSW this relationship has been demonstrated by a number of ROCs in urban, regional and rural areas. In Western Australia the evidence is more limited, but the success of the South West Group in metropolitan Perth is an example. In rural areas it would appear that those VROCs which receive at least some level of resourcing have been able to achieve a greater range of outcomes.

The proposed typology of ROC activities used in this report seems to provide a useful basis for describing the work programs of ROCs in both states. However as indicated earlier more research needs to be undertaken, especially to test this framework in other jurisdictions.

5.2 What Do ROCs Want to Do?

As independent organisations established and managed by their member councils, the range of activities that ROCs undertake is obviously diverse. Virtually all ROCs undertake both shared services and regional capacity activities, and the while there is some desire to increase engagement in the former this is not necessarily at the expense of the latter. Indeed there is a suggestion that as well as being an important priority in its own right, the sense of regional identity that comes from engagement in regional capacity activities provides an essential rationale for the existence of some regional organisations. In addition a number of ROCs are interested in increasing the involvement in regional capacity building through partnerships in planning and even service delivery with other levels of government.

For some ROCs however greater engagement in shared services and in particular joint procurement is the next logical step in their development. It is a number of these ROCs that are questioning the limitations of the current range of incorporation options in both NSW and Western Australia. These also restrict ROCs which want to engage in commercial activities, though it has to be noted that most ROCs either do not see this as a priority or at most want to expand a limited range of activities.

5.3 What Do ROCs Need?

5.3.1 Structure

Although only a number of ROCs raised the current limits on incorporation as being a significant problem, it is clear that this will become a more important issue as ROCs increase their involvement in shared services and commercial activities.

For example, while incorporated association and company status allows some NSW ROCs to sign contracts for the supply of goods and services to the organisation itself, it is more difficult to do this on behalf of their member councils. In particular, councils are unable to delegate their tendering responsibilities to ROCs, which means that developing a regional tendering process is cumbersome and complex. The ability to facilitate regional tendering is something that could be provided either in conjunction with existing arrangements or as part of new models of incorporation.

Any form of incorporation for ROCs should allow them easily to employ staff in their own right and to receive grants and handle funds. Again, NSW ROCs are able to do this if they are an incorporated association or a company, but these two options are not necessarily the most appropriate for the other activities they may want to undertake, for example, making investments in shared assets such as regional infrastructure projects.

Incorporated association status in particular has a number of limitations in both states relating to maximum turnover, the ability to distribute a dividend to member councils – and more significantly for some councils, the ability to retain ownership of any joint assets if the organisation is wound up. Incorporation should also allow ROCs to limit their liability and those of their member councils when involved in major and complex projects.

Finally any form of ROC incorporation should provide them with an appropriate level of community and political credibility. The lack of any 'corporate identity' has obviously had a major impact on Western Australian ROCs and while their NSW counterparts have more options available to them, none of these seem entirely appropriate for a regional local government organisation. Conversely,

while forming a Regional Local Government seems to be a more readily available option in Western Australia, it has rarely been taken up because of the excessive compliance burden involved.

Three options have been proposed to address the needs identified above. These are not necessarily mutually exclusive and all three could in theory be applied in NSW, Western Australia or elsewhere. They are also applicable to groups of councils other than ROCs:

- *Joint tendering/contract facility.* This is the simplest option and has already been discussed in NSW. It would allow a ROC to undertake a regional tender on behalf of its member councils, subject to appropriate safeguards. This mechanism could be auspiced either by the ROC or a participating council. While not strictly speaking a form of incorporation, this model would be attractive either as a 'stand-alone' option for informal groups of councils or as an 'add-on' for ROCs that are already incorporated.
- *Regional subsidiary model.* The regional subsidiary model described earlier is being promoted by WALGA and is already used by ROCs in South Australia. Under this model two or more councils would be able to establish a regional subsidiary to undertake shared service delivery. While having the protection of being recognised as a local government body, regional subsidiaries would not have the same compliance burden (WALGA 2010b). Subject to further development along the lines proposed by the Western Australia upper house committee (Legislative Council 2011), this option may be the most attractive for many ROCs.
- *Revamped County Council/Regional Local Government model.* WALGA has also proposed that the compliance burdens associated with Regional Local Governments (similar to those required of county councils in NSW) be reviewed and reduced (WALGA 2010b p.22). While for most ROCs and their member councils the regional subsidiary option (or another existing form of incorporation in NSW) is still likely to be more attractive, a more flexible RLG or county council model may be appropriate for some larger ROCs, especially those that wish to undertake more commercial operations.

There are a number of issues that will need to be considered in conjunction with an assessment of these and the other options for incorporation. These include the need to ensure that appropriate probity and national competition requirements are met. Another issue is the importance of retaining of a sense of 'ownership' by member councils, especially in an environment (in NSW) where the state government is seeking to establish a much closer relationship.

5.3.2 Business Models

Just as important as the creation of an appropriate organisation structure for ROCs is the development of appropriate business models. Again, the audits in both states did not reveal any strong statistical relationship between specific forms of funding and organisational outcomes, but a number of tentative conclusions can be drawn.

First, ROCs need a basic level of funding and other support from their member councils. While regional structures without financial support can achieve a modest level of outcomes, it is clear that having enough resources to employ a minimum of one dedicated staff member, even part-time, can make a significant difference to the organisation's output.

Second, although it is difficult to quantify, the audit outcomes particularly in NSW also suggest that providing enough funding to support two or (ideally) at least three staff members provides a certain

critical mass which allows the organisation to employ more specialised staff and also provide the capacity to develop new projects and investigate additional grant and other funding options.

Third, ROCs need a degree of certainty about at least the core proportion of their income in order to plan their activities. This implies a level of medium to long-term commitment by the member councils to either provide funding directly through membership fees and/or seek other stable sources of income.

Fourth (and related to the above point), ROCs benefit from having a range of income sources in addition to membership fees. This provides a higher degree of financial security and enables ROCs to undertake additional projects. Ideally ROCs should be able to use their core funding as 'leverage' to obtain extra resources, thus demonstrating a practical financial benefit to their members. Additional sources include grants, one-off contributions from member councils for specific projects, joint purchase rebates, administration fees from auspicings government projects and income from commercial operations.

There is a range of views however on the extent to which ROCs should seek external funding, especially from the auspicings of government services or from commercial sources. While some see these external sources as having the potential to significantly reduce the contribution made by their member councils, others are concerned that this could reduce the sense of 'ownership' that their members have regarding the organisation.

5.4 Redefining the Future of ROCs

The reform processes underway in NSW and Western Australia have taken very divergent paths with starkly different implications for ROCs. In Western Australia there is a strong prospect that ROCs could be further marginalised. The state government seems to have decided that the ROCs as relatively small and informal organisations are not a viable alternative to amalgamation. Even where amalgamation is not contemplated they have been passed over in favour of other forms of consolidation such as shared services delivery based on the RTGs.

In NSW the prospects for ROCs are very different. Policies have moved in the opposite direction, from a few years ago when (akin to the Western Australian strategy) the state government sought largely to bypass ROCs, to the current situation with a new government which has clearly decided to embrace ROCs as a major and possibly the primary form of local government consolidation. This approach has received the endorsement of the Minister for Local Government and strong support from the sector itself, as indicated at the *Destination 2036* forum.

This embrace has its risks however. As indicated earlier there is a risk of co-option by the government and a loss of council ownership of ROCs. Some of the fears that councils have had in the past about ROCs forming the basis for a 'fourth tier' or even for future amalgamations could resurface. The United Services Union has also expressed a range of concerns over the *Destination 2036* proposed actions, including the proposals for an increased role for ROCs, fearing that these initiatives could lead to a loss of jobs and a reduction in community accountability.

The different approaches to local government reform are likely to redefine the future of ROCs and how they will continue to operate in both states. As well as attempting to provide an outline of the current situation in both NSW and Western Australia, this audit may provide a basis for future assessment of how these changes have affected Regional Organisations of Councils in both states.

6 Bibliography

- Aulich, C., Gibbs, M., Gooding, A., McKinlay, P., Pillora, S. & Sansom, G. 2011, *Consolidation in Local Government: A Fresh Look*, Australian Centre for Excellence in Local Government, Sydney.
- Australian Government 2010, *Our Cities – building a productive, sustainable and liveable future: discussion paper*, Australian Government, Canberra.
- Australian Local Government Association 2010, viewed 17 January 2012 <<http://www.alga.asn.au/?ID=278>>.
- Australian Senate Select Committee on the Reform of the Australian Federation 2011, *Australia's Federation: an agenda for reform*, Parliament of Australia, Canberra.
- Bellamy, J. & Brown, A. J. 2009, 'Regional Governance in Rural Australia: An Emergent Phenomenon of the Quest for Liveability and Sustainability', *Proceedings of the 53rd Annual Meeting of the International Society for the Systems Sciences*.
- Buxton, M., Tieman, G., Bekessy, S., Hudge, T., Mercer, D., Coote, M. & Morecombe, J. 2006, *Change and Continuity in Peri-Urban Australia*, Royal Melbourne Institute of Technology, Melbourne.
- Castrilli, G. M. 2009, *Local Government Reform Strategies Announced*, media release from the WA Minister for Local Government; Heritage; Citizenship and Multicultural Interests, Perth.
- Castrilli, G. M. 2010, *WALGA Local Government Reform Forum Speech*, Government of Western Australia, Perth.
- Collits, P. 2008, 'The Howard Government and Regional Development', *Australasian Journal of Regional Studies*, vol. 14, pp. 287-312.
- Dollery, B. E., Akimov, A. & Byrnes, J. 2007, 'An Analysis of Shared Local Government Services in Australia', *Working Paper 05-2007*, Centre for Local Government, University of New England, Armidale.
- Dollery, B. E. & Akimov, A. 2008, 'Are Shared Services a Panacea for Australian Local Government? A Critical Note on Australian and International Empirical Evidence', *International Review of Public Administration*, vol. 12, pp. 89-102.
- Dollery, B. & Johnson, A. 2005, 'Enhancing Efficiency in Australian Local Government: An Evaluation of Alternative Models of Municipal Governance', *Working Paper Series in Economics*, University of New England, Armidale.
- Dollery, B., Johnson, A., Marshall, N. and Witherby, A. 2005, 'ROCS Governing Frameworks for Sustainable Economic Development: A Case Study', *Sustaining Regions*, vol 4, no. 3, pp. 15-21.
- Dollery, B. E. & Marshall, N. A. 2003, 'Future Directions for Australian Local Government', in A. Marshall & A. C. Worthington (eds), *Reshaping Local Government: Finance, Governance and Reform*, University of New South Wales Press, Sydney, pp. 229-250.
- Douglas, N. 2009, *Feasibility Study of Regional Collaborative Methods*, SEAVROC (unpublished).
- Elton Consulting 2011, *Destination 2036: Outcomes Report*, prepared for the NSW Division of Local Government, Sydney.
- Gibbs, M., Gooding, A. & Jones, R. 2002, 'Regions and the role of ROCs in an urban context', presentation to the 'Cutting Edge of Change' Local government Conference, University of New England, Armidale.
- Gooding, A. 2005, 'In the Saddle or the Burr Underneath' – the Role of Regional Organisations of Councils in Metropolitan Planning', presentation to the 2nd State of Australian Cities National Conference, Brisbane.

- Kelly, A. H., Dollery, B. E. & Grant, B. 2009, 'Regional Development and Local Government: Three Generations of Federal Intervention', *Australasian Journal of Regional Studies*, vol. 15, pp. 171-193.
- Kelly, G. 2011, *Destination Disaster: job loss, outsourcing, no protection*, United Services Union media release, Sydney.
- Kübler, D. 2007, 'Metropolitan Governance in Sydney: A Case of 'Joint Decision-Making'', *Australian Journal of Political Science*, vol. 42, pp. 631-647.
- Kübler, D. 2005, *Problems and Prospects of Metropolitan Governance in Sydney: Towards 'Old or New' Regionalism?*, City Futures Research Centre, University of NSW, Sydney.
- Kübler, D. & Randolph, B. 2008, 'Metropolitan Governance in Australia – the Sydney Experience', in R. Hambleton & J. S. Gross (eds), *Governing Cities in a Global Era – Urban Innovation: Competition and Democratic Reform*, Palgrave MacMillan, New York, pp. 139-150.
- Legislative Council of Western Australia 2011, *Report 18: Standing Committee on Legislation: Local Government Amendment (Regional Subsidiaries) Bill 2010*, Parliament of Western Australia.
- Local Government Act 1993 (NSW)*.
- Local Government Act 1995 (Western Australia)*.
- Marshall, N., Dollery, B. E. & Sorensen, T. 2006, 'Voluntary Regional Co-operation in Australia', *Canadian Journal of Regional Science*, vol. 29, pp. 239-256.
- Marshall, N., Dollery, B. E. & Witherby, A. 2003, 'Regional Organisations of Councils (ROCS): The Emergence of Network Governance in Metropolitan and Rural Australia?', *Australasian Journal of Regional Studies*, vol. 9, pp. 169-188.
- Metropolitan Local Government Review Panel 2010a, *Terms of Reference*, Metropolitan Local Government Review Panel, Perth.
- Metropolitan Local Government Review Panel 2010b, *Background Paper*, Metropolitan Local Government Review Panel, Perth.
- National Growth Areas Alliance (NGAA), viewed 21 November 2011 <<http://ngaa.org.au>>.
- NSW Department of Local Government (NSW DLG) 2007, *Collaboration and Partnerships Between Councils*, NSW DLG, Nowra.
- NSW DLG 2011a, *Collaborative Arrangements between Councils: Survey Report*, NSW DLG, Nowra.
- NSW DLG 2011b, *Destination 2036 Workshop – Mapping the Future for Better Local Government*, NSW DLG, Nowra.
- NSW DLG 2011c, *Destination 2036: draft Action Plan*, NSW DLG, Nowra.
- NSW DLG 2011d, *Circular to Councils: NSW 2021 – A plan to make NSW number one*, NSW DLG, Nowra.
- Page, D. 2011, *Regional Approach a Key to Council Reform*, media release from the office of the Minister for Local Government and the North Coast, NSW.
- Ramsland, D. & Dollery, B. 2011, 'Enhancing Regional Cooperation between Local Councils: A Proposed Two-Tier Model for Australian Local Government', *Journal of Economic and Social Policy*, vol. 14, no. 2, article 3.
- Regional Development Australia 2009, *Regional Development Australia – What is it? Roles and Responsibilities*, Australian Government, Canberra.
- South West Group 2011, *Annual Report: 2010-2011*, South West Group, Perth.

Tiley, I. & Dollery, B. E. 2010, 'Local Government Amalgamation in NSW', *Working Paper 03-2010*, Centre for Local Government, University of New England.

WA Department of Local Government (WA DLG) 2010a, *Local Government Reform Steering Committee Report*, WA DLG, Perth.

WA DLG 2010b, *Local Government Reform: Building Strong Sustainable Local Government – Regional Collaborative Group (RCG) Information Sheet*, WA DLG, Perth.

WA DLG 2010c, *Local Government Reform: Building Strong Sustainable Local Government – Regional Transition Group (RTG) Information Sheet*, WA DLG, Perth.

WA DLG 2011a, *Local Government Regional Arrangements and Reform: Western Australia*, WA DLG, Perth.

WA DLG 2011b, *Regional Local Government Entities – Models for Regional Collaboration in Remote Areas Discussion Paper*, WA DLG, Perth.

Western Australian Local Government Association (WALGA) 2010a, *Submission: Local Government Amendment (Regional Subsidiaries) Bill 2010*, Perth.

WALGA 2010b, *Local Government Enterprises as a Means of Improving Local Government Efficiency*, WALGA, Perth.

WALGA 2011, *Western Australian Local Government Directory*, WALGA, Perth.

ABOUT ACELG

ACELG is a unique consortium of universities and professional bodies that have a strong commitment to the advancement of local government. The consortium is led by the University of Technology Sydney's Centre for Local Government, and includes the University of Canberra, the Australia and New Zealand School of Government, Local Government Managers Australia and the Institute of Public Works Engineering Australia. In addition, the Centre works with program partners to provide support in specialist areas and extend the Centre's national reach. These include Charles Darwin University and Edith Cowan University.

PROGRAM DELIVERY

ACELG's activities are grouped into six program areas:

- Research and Policy Foresight
- Innovation and Best Practice
- Governance and Strategic Leadership
- Organisation Capacity Building
- Rural-Remote and Indigenous Local Government
- Workforce Development

Australian Centre of Excellence for Local Government

PO BOX 123 Broadway NSW 2007

T: +61 2 9514 3855 **F:** +61 9514 4705

E: acelg@acelg.org.au **W:** www.acelg.org.au



An Australian Government Initiative